BOMBARDIER

SECOND QUARTERLY REPORT

Three-month period ended July 31, 2010

GLOSSARY

The following table shows the abbreviations used in this report.

Term	Description	Term	Description
AcSB	Accounting Standards Board	GAAP	Generally accepted accounting principles
AFS	Available for sale	GDP	Gross domestic product
AOCI	Accumulated other comprehensive income	HFT	Held for trading
BA	Bombardier Aerospace	IFRS	International Financial Reporting Standards
BT	Bombardier Transportation	L&R	Loans and receivables
CTA	Cumulative translation adjustment	MD&A	Management's discussion and analysis
DSU	Deferred share unit	OCI	Other comprehensive income
EBIT	Earnings before financing income, financing expense and income taxes	PP&E	Property, plant and equipment
		PSU	Performance share unit
EBITDA	Earnings before financing income, financing expense, income taxes and depreciation and amortization	R&D	Research and development
		RVG	Residual value guarantee
EBT	Earnings before income taxes	SG&A	Selling, general and administrative
EMUs	Electrical Multiple Units	VIE	Variable interest entity
EPS	Earnings per share attributable to the shareholders of Bombardier Inc.		

MANAGEMENT'S DISCUSSION AND ANALYSIS

All amounts in this report are expressed in U.S. dollars and all amounts in the tables are in millions of U.S. dollars, unless otherwise indicated.

This MD&A is the responsibility of management and has been reviewed and approved by the Board of Directors. This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The data presented in this MD&A is structured by manufacturing segment: BA and BT, and then by market segment, which is reflective of our organizational structure. Some financial measures used in this MD&A are not in accordance with Canadian GAAP. See the Non-GAAP financial measures section hereafter for the reconciliation to the most comparable Canadian GAAP measures.

Materiality for disclosures

We determine if information is material based on whether we believe a reasonable investor's decision to buy, sell or hold our securities would likely be influenced or changed if the information were omitted or misstated.

FORWARD-LOOKING STATEMENTS

This MD&A includes forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "plan", "foresee", "believe" or "continue", the negative of these terms, variations of them or similar terminology. By their nature, forward-looking statements require us to make assumptions and are subject to important known and unknown risks and uncertainties, which may cause our actual results in future periods to differ materially from forecasted results. While we consider our assumptions to be reasonable and appropriate based on information currently available, there is a risk that they may not be accurate. For additional information with respect to the assumptions underlying the forward-looking statements made in this MD&A, refer to the respective Forward-looking statements sections in BA and BT in the MD&A of the Corporation's annual report for fiscal year 2010.

Certain factors that could cause actual results to differ materially from those anticipated in the forward-looking statements include risks associated with general economic conditions, risks associated with our business environment (such as risks associated with the airline industry's financial condition), operational risks (such as risks involved in developing new products and services, risks in doing business with partners, risks relating to product performance warranty and casualty claim losses, to regulatory and legal proceedings, to environmental and health and safety, to our dependence on certain customers and suppliers, to human resources, to fixed-price commitments and to production and project execution), financing risks (such as risks relating to liquidity and access to capital markets, to the terms of certain restrictive debt covenants, to financing support provided on behalf of certain customers and to reliance on government support) and market risks (such as risks relating to foreign currency fluctuations, to changing interest rates and commodity prices risks). For more details, see the Risks and uncertainties section in Other in the MD&A of the Corporation's annual report for fiscal year 2010. Readers are cautioned that the foregoing list of factors that may affect future growth, results and performance is not exhaustive and undue reliance should not be placed on forward-looking statements. The forward-looking statements set forth herein reflect our expectations as at the date of this MD&A and are subject to change after such date. Unless otherwise required by applicable securities laws, the Corporation expressly disclaims any intention, and assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

HIGHLIGHTS

- Revenues of $4.1 billion, compared to $4.9 billion for the same period last fiscal year.
- EBIT of $231 million, or 5.7% of revenues, compared to $313 million, or 6.3%, for the same period last fiscal year.
- Net income of $148 million (diluted EPS of $0.08), compared to $202 million (diluted EPS of $0.11) for the same period last fiscal year.
- Free cash flow usage of $508 million, compared to a free cash flow of $18 million for the same period last fiscal year.
- Cash position of $2.8 billion as at July 31, 2010, compared to $3.4 billion as at January 31, 2010.
- Order backlog of $47.4 billion as at July 31, 2010, compared to $43.8 billion as at January 31, 2010.

CONSOLIDATED ANALYSIS OF RESULTS

Analysis of results

	Three-month periods ended July 31		**Six-month periods ended July 31**	
	2010	2009	**2010**	2009
Revenues	**$ 4,079**	$ 4,946	**$ 8,325**	$ 9,417
Cost of sales	**3,410**	4,155	**6,933**	7,888
Margin	**669**	791	**1,392**	1,529
SG&A	**327**	362	**680**	708
R&D	**45**	29	**90**	49
Other income	**(34)**	(36)	**(40)**	(19)
EBITDA	**331**	436	**662**	791
Amortization	**100**	123	**207**	243
EBIT	**231**	313	**455**	548
Financing income	**(16)**	(23)	**(53)**	(58)
Financing expense	**60**	72	**125**	140
EBT	**187**	264	**383**	466
Income taxes	**39**	62	**82**	106
Net income	**$ 148**	$ 202	**$ 301**	$ 360
Attributable to:				
Shareholders of Bombardier Inc.	**$ 144**	$ 198	**$ 296**	$ 354
Non-controlling interests	**$ 4**	$ 4	**$ 5**	$ 6
Basic and diluted EPS (in dollars)	**$ 0.08**	$ 0.11	**$ 0.16**	$ 0.20
Free cash flow	**$ (508)**	$ 18	**$ (725)**	$ (799)

Revenues and EBIT margin

	Three-month periods ended July 31			Six-month periods ended July 31		
	2010	2009	Increase (decrease)	**2010**	2009	Increase (decrease)
Revenues						
BA	**$ 1,962**	$ 2,399	(18%)	**$ 3,897**	$ 4,618	(16%)
BT	**$ 2,117**	$ 2,547	(17%)	**$ 4,428**	$ 4,799	(8%)
Consolidated	**$ 4,079**	$ 4,946	(18%)	**$ 8,325**	$ 9,417	(12%)
EBIT margin			Percentage points			Percentage points
BA	**4.6%**	6.4%	(1.8)	**4.6%**	5.7%	(1.1)
BT	**6.6%**	6.2%	0.4	**6.2%**	5.9%	0.3
Consolidated	**5.7%**	6.3%	(0.6)	**5.5%**	5.8%	(0.3)

A detailed analysis of results is provided in the Analysis of results sections in BA and BT.

Net financing expense

Net financing expense amounted to $44 million and $72 million for the three- and six-month periods ended July 31, 2010, compared to $49 million and $82 million for the same periods last fiscal year.

The $5-million decrease for the three-month period is mainly due to lower interest expense on long-term debt, consistent with lower variable interest rates ($7 million).

The $10-million decrease for the six-month period is mainly due to:

- a gain of $15 million on long-term debt repayments in connection with our refinancing plan.

Partially offset by:

- lower interest income on cash and cash equivalents, consistent with lower variable interest rates ($9 million).

Income taxes

The effective income tax rate was 20.9% and 21.4%, respectively, for the three- and six-month periods ended July 31, 2010, compared to the statutory income tax rate of 30.0%. The lower effective tax rates are mainly due to the positive impact of the recognition of tax benefits related to operating losses and temporary differences, partially offset by permanent differences.

The effective income tax rate was 23.5% and 22.7%, respectively, for the three- and six-month periods ended July 31, 2009, compared to the statutory income tax rate of 31.5%. The lower effective tax rates were mainly due to the positive impact of the recognition of tax benefits related to operating losses and temporary differences.

LIQUIDITY AND CAPITAL RESOURCES

Refinancing plan

Maintaining sufficient liquidity continues to be one of our key focuses. In March 2010, we implemented a refinancing plan of our long-term debt (see Note 8 – Long-term debt). As a result of this plan, we increased our average long-term debt maturity profile by 1.4 years, and we increased our available short-term capital resources by approximately $500 million to be used for general corporate purposes. The increase in available short-term capital resources includes the money collected on the cancellation of the interest-rate swaps related to the repurchased debt, which was partially offset by the premium paid on the repurchased debt and the issuance fees related to the new debt.

Available short-term capital resources

	Cash and cash equivalents	Available credit facility	Available short-term capital resources
July 31, 2010	**$ 2,776**	**$ 500**	**$ 3,276**
January 31, 2010	$ 3,372	$ 500	$ 3,872

Our available short-term capital resources include cash and cash equivalents and the amount available under the revolving credit facility (unused as at July 31, 2010 and January 31, 2010). We consider that our available short-term capital resources of $3.3 billion as at July 31, 2010 combined with our expected free cash flow will enable the development of new products to enhance our competitiveness and support our growth, will allow the payment of dividends, if and when declared by the Board of Directors, and will enable us to meet all other expected financial requirements in the near term.

Reconciliation of free cash flow to cash flow from operating activities

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Segmented free cash flow				
BA	**$ (287)**	$ (10)	**$ (492)**	$ (540)
BT	**(132)**	149	**(159)**	(111)
Segmented free cash flow	**(419)**	139	**(651)**	(651)
Income taxes and net financing expense(1)	**(89)**	(121)	**(74)**	(148)
Free cash flow	**(508)**	18	**(725)**	(799)
Add back: Net additions to PP&E and intangible assets	**280**	155	**517**	309
Cash flow from operating activities	**$ (228)**	$ 173	**$ (208)**	$ (490)

(1) Income taxes and net financing expense are not allocated to segments.

Variation in cash and cash equivalents

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Balance as at beginning of period	**$ 3,531**	$ 2,687	**$ 3,372**	$ 3,470
Free cash flow	**(508)**	18	**(725)**	(799)
Proceeds from issuance of long-term debt	**7**	4	**1,483**	4
Repayments of long-term debt	**(3)**	(2)	**(1,056)**	(4)
Dividends paid	**(93)**	(80)	**(98)**	(85)
Effect of exchange rate changes on cash and cash equivalents	**(37)**	202	**(55)**	245
Purchase of class B shares held in trust under the PSU plan	**(46)**	(21)	**(46)**	(21)
Repurchase of Class B Shares	**-**	-	**(16)**	-
Invested collateral	**-**	81	**-**	81
Other	**(75)**	(85)	**(83)**	(87)
Balance as at end of period	**$ 2,776**	$ 2,804	**$ 2,776**	$ 2,804

Other facilities

In the normal course of its business, BT has set up factoring facilities in Europe under which it can sell, without credit recourse, qualifying trade receivables. Trade receivables of €186 million ($243 million) were outstanding under such facilities as at July 31, 2010 (€140 million ($194 million) as at January 31, 2010). Trade receivables of €132 million ($166 million) and €252 million ($329 million), respectively, were sold to these facilities during the three- and six-month periods ended July 31, 2010 (€136 million ($195 million) and €148 million ($210 million) during the three- and six-month periods ended July 31, 2009).

In addition, BA has set up off-balance sheet sale and leaseback facilities under which it can sell pre-owned business aircraft. An amount of $234 million was outstanding under such facilities as at July 31, 2010 ($180 million as at January 31, 2010). Aircraft worth $115 million and $166 million respectively were sold and leased-back to these facilities during the three- and six-month periods ended July 31, 2010 ($53 million for the three- and six-month periods ended July 31, 2009).

CREDIT FACILITIES NOT AVAILABLE FOR CASH DRAWINGS

Letter of credit facilities are only available for the issuance of letters of credit. As these facilities are an unfunded commitment from banks, they typically provide a better pricing for the Corporation as compared to credit facilities available for cash drawings.

Letter of credit facilities

	Amount committed	Letters of credit issued	Amount available	Maturity (fiscal year)
July 31, 2010				
BT facility	**$ 4,966** [1]	**$ 3,865**	**$ 1,101**	**2014** [2]
BA facility	**600**	**321**	**279**	**2012**
PSG facility	**900**	**234**	**666**	**2012** [3]
	$ 6,466	**$ 4,420**	**$ 2,046**	
January 31, 2010				
BT facility	$ 5,201 [1]	$ 3,921	$ 1,280	2014 [2]
BA facility	600	484	116	2012
PSG facility	900	377	523	2011 [3]
	$ 6,701	$ 4,782	$ 1,919	

(1) €3,800 million as at July 31, 2010 (€3,750 million as at January 31, 2010).
(2) In December 2011, if the facility is not extended, the committed amount will be reduced to the notional amount of letters of credit outstanding at that time and will amortize thereafter as the outstanding letters of credit mature up to December 2013.
(3) The performance security guarantee facility ("PSG facility") is renewed and extended annually if mutually agreed. In June 2010, the facility was extended until June 2011, and is intended to be renewed in annual increments thereafter. If the facility is not extended, the letters of credit issued under this facility will amortize over their maturity.

In addition to the outstanding letters of credit shown in the above table, letters of credit of $669 million were outstanding under various bilateral agreements as at July 31, 2010 ($453 million as at January 31, 2010).

We also use numerous bilateral bonding facilities with insurance companies to support BT's operations. An insured amount of $1.7 billion was outstanding under such unfunded facilities as at July 31, 2010 ($1.5 billion as at January 31, 2010).

Under the BA and BT letter of credit facilities and our revolving credit facility, we must maintain various financial covenants, including a requirement to maintain a minimum BT liquidity of €600 million ($784 million) at the end of each calendar quarter and a requirement to maintain a minimum BA liquidity of $500 million at the end of each fiscal quarter. In addition, we must maintain €404 million ($528 million) of invested collateral under the BT facility and $121 million under the BA facility. These conditions were all met as at July 31, 2010 and January 31, 2010.

CAPITAL STRUCTURE

We analyze our capital structure using global leverage metrics, which are based on a broad economic view of the Corporation taking into consideration the total pension deficit (including the off-balance sheet portion) and the net present value of operating lease obligations in the definition of adjusted debt.

The following global leverage metrics do not represent the calculations required for bank covenants. For compliance purposes, we regularly monitor bank covenants to ensure that they are all consistently met. However, our focus is more on the global leverage metrics, as they represent the key metrics used to analyze our capital structure.

Global leverage metrics [(1)]

		July 31, 2010		January 31, 2010
Interest coverage				
Adjusted EBIT[(2)]	**$**	**1,153**	$	1,249
Adjusted net interest[(2)]	**$**	**321**	$	334
Adjusted EBIT to adjusted net interest ratio		**3.6**		3.7
Financial leverage				
Adjusted debt	**$**	**7,428**	$	6,084
Adjusted EBITDA[(2)]	**$**	**1,668**	$	1,792
Adjusted debt to adjusted EBITDA ratio		**4.5**		3.4
Capitalization				
Adjusted debt	**$**	**7,428**	$	6,084
Adjusted total capitalization	**$**	**11,443**	$	9,928
Adjusted debt to adjusted total capitalization ratio		**65%**		61%

(1) Refer to the Non-GAAP financial measures section hereafter for definitions and reconciliations to the most comparable Canadian GAAP measures.
(2) Calculated on a four-quarter trailing basis.

The trend of our three global leverage metrics reflects a combination of unfavourable factors, principally the increase in adjusted debt and the decrease in profitability.

Our adjusted debt is higher as a result of an increase in the pension deficit and long-term debt.

Our pension deficit totalled $2.3 billion as at June 30, 2010 (second-quarter measurement date), compared to $1.5 billion as at December 31, 2009 (year-end measurement date).

Variation in pension deficit

Deficit as at December 31, 2009	$	1,514
Changes in discount rate assumptions		593
Interest cost		198
Actual return on plan assets		123
Excess of employer contributions over service costs		(94)
Other		(20)
Deficit as at June 30, 2010	**$**	**2,314**

Long-term debt increased by $471 million as a result of the refinancing plan and the fair value variation of hedges recorded in long-term debt, partially offset by the foreign exchange impact.

Adjusted EBIT and adjusted EBITDA decreased mainly due to lower BA profitability as a result of the challenging economic conditions experienced in the aerospace industry.

Given the current economic environment, our near-term focus is to preserve liquidity. Upon return to normal economic conditions, we remain committed to improve our capital structure.

Our objective with regard to the global metrics is to manage and monitor them such that we can achieve an investment-grade profile, which we believe among other considerations typically requires meeting the following ratios:

- interest coverage greater than 5.0;
- financial leverage lower than 2.5; and
- capitalization lower than 55%.

FINANCIAL POSITION

	July 31 2010	January 31 2010	Increase (decrease) Foreign exchange impact	Increase (decrease) Variance excluding foreign exchange	Explanation of major variances other than foreign exchange impact
Cash and cash equivalents	**$ 2,776**	$ 3,372	$ (55)	$ (541)	See the previous Variation in cash and cash equivalents table for details
Invested collateral	**650**	682	(32)	-	No variance
Receivables	**1,861**	1,897	18	(54)	$ (59) Lower level in BA
Aircraft financing	**570**	473	1	96	Mainly resulting from increased commercial aircraft financing
Gross inventories	**9,151**	9,423	(22)	(250)	$ (369) Mainly resulting from the reduced level of activities in Europe and BT's inventory optimization program 103 Mainly resulting from commercial aircraft delivery profile in the current fiscal year
Advances and progress billings related to long-term contract costs	**(5,474)**	(6,054)	(27)	(553)	Mainly resulting from lower level of activities and lower level of advances and milestone payments received on new orders
Advances on aerospace programs	**(1,855)**	(2,092)	-	(237)	Mainly resulting from higher deliveries than orders received in business aircraft
PP&E	**1,682**	1,643	(13)	52	$ 139 Additions (81) Amortization (16) Proceeds from disposal 10 Gain on disposal
Intangible assets	**1,988**	1,696	(9)	301	$ 412 Investment in aerospace programs (111) Amortization
Fractional ownership					
- deferred costs	**196**	271	-	(75)	Low level of deliveries of new aircraft in
- deferred revenues	**(257)**	(346)	-	(89)	fractional ownership programs
Deferred income tax, net	**1,088**	1,101	(15)	2	No significant variance
Accrued benefit, net	**10**	(14)	37	(13)	No significant variance
Derivatives, net	**63**	53	5	5	No significant variance
Goodwill	**2,230**	2,247	(17)	-	No variance
Other assets	**1,128**	1,006	3	119	$ 65 Increase in investment in securities 50 Increase in prepaid expenses
Accounts payable and accrued liabilities	**(7,290)**	(7,427)	(41)	(96)	$ (270) Lower level of trade payables in BT as a result of reduced level of activities in Europe 174 Higher level of accounts payable and accrued liabilities in BA
Long-term debt	**(4,633)**	(4,162)	(102)	573	Refinancing plan and fair value variation of hedges recorded in long-term debt
Equity	**(3,884)**	(3,769)	n/a	115	$ 301 Net income (98) Dividends declared (56) Negative impact of cash flow hedges measured at fair value (46) Purchase of Class B Shares held in trust under the PSU plan

n/a: Not applicable.

NON-GAAP FINANCIAL MEASURES

This MD&A is based on reported earnings in accordance with Canadian GAAP and on the following non-GAAP financial measures:

Non-GAAP financial measures

EBITDA	Earnings before financing income, financing expense, income taxes and depreciation and amortization.
Free cash flow	Cash flows from operating activities less net additions to property, plant and equipment and intangible assets.
Adjusted debt	Long-term debt plus total pension deficit (including the off-balance sheet portion) and net present value of operating lease obligations.
Adjusted EBIT	EBIT plus adjustment for operating leases and pension deficit.
Adjusted EBITDA	EBITDA plus amortization adjustment for operating leases and adjustment for operating leases and pension deficit.
Adjusted net interest	Financing income and financing expense plus adjustment for operating leases and pension deficit.
Adjusted total capitalization	Adjusted debt plus equity less amount in AOCI relating to cash flow hedges.

We believe that a significant number of users of our MD&A analyze our results based on these performance measures. These non-GAAP measures are mainly derived from the interim consolidated financial statements, but do not have a standardized meaning prescribed by Canadian GAAP; therefore, others using these terms may calculate them differently.

A reconciliation to the most comparable GAAP financial measures is provided in the tables hereafter except for the following reconciliations:

- EBITDA to EBIT – see the respective Results of operations table in BA and BT; and
- free cash flow to cash flows from operating activities – see the Reconciliation of free cash flow to cash flow from operating activities table before.

Reconciliation of adjusted debt to long-term debt

	July 31, 2010	January 31, 2010
Long-term debt	**$ 4,633**	$ 4,162
Pension deficit[(1)]	**2,314**	1,514
Operating lease obligations[(2)]	**481**	408
Adjusted debt	**$ 7,428**	$ 6,084

(1) Represents the estimated pension deficit as at June 30, 2010 and the pension deficit as at December 31, 2009 (second and fourth quarter measurement dates respectively).
(2) Discounted using the average five-year U.S. Treasury Notes plus the average credit spread, given our credit rating, for the corresponding periods.

Reconciliation of adjusted EBITDA and adjusted EBIT to EBIT

	Four-quarter trailing periods ended	
	July 31, 2010	January 31, 2010
EBIT	**$ 1,005**	$ 1,098
Adjustment for pension deficit and operating leases[1]	**148**	151
Adjusted EBIT	**1,153**	1,249
Amortization adjustment for operating leases[2]	**53**	45
Amortization	**462**	498
Adjusted EBITDA	**$ 1,668**	$ 1,792

(1) Represents the interest cost of a debt equivalent to the amount included in adjusted debt for these two items, bearing interest at the average five-year U.S. swap rate plus the average credit default swap spread for the related twelve months, given our credit rating for the corresponding periods.
(2) Represents a straight-line amortization of the amount included in adjusted debt for operating leases, based on a nine-year amortization period.

Reconciliation of adjusted net interest to financing income and financing expense

	Four-quarter trailing periods ended	
	July 31, 2010	January 31, 2010
Financing income and financing expense	**$ 173**	$ 183
Adjustment for pension deficit and operating leases[1]	**148**	151
Adjusted net interest	**$ 321**	$ 334

(1) Represents the interest cost on a debt equivalent to the amount included in adjusted debt for these two items, bearing interest at the average five-year U.S. swap rate plus the average credit default swap spread for the related twelve months, given our credit rating for the corresponding periods.

Reconciliation of adjusted total capitalization to equity

	July 31, 2010	January 31, 2010
Equity	**$ 3,884**	$ 3,769
Exclude: amount in AOCI related to cash flow hedges	**131**	75
Adjusted debt	**7,428**	6,084
Adjusted total capitalization	**$ 11,443**	$ 9,928

AEROSPACE

HIGHLIGHTS

- Revenues of $2.0 billion, compared to $2.4 billion for the same period last fiscal year.
- EBIT of $91 million, or 4.6% of revenues, compared to $154 million, or 6.4%, for the same period last fiscal year.
- Free cash flow usage of $287 million, compared to a usage of $10 million for the same period last fiscal year.
- 46 aircraft deliveries, compared to 80 for the same period last fiscal year.
- 29 net orders, compared to negative 38 for the same period last fiscal year.
- Order backlog of $17.1 billion as at July 31, 2010, compared to $16.7 billion as at January 31, 2010.

BUSINESS ENVIRONMENT

While economic conditions in general are improving, uncertainties remain. The aerospace industry continues to experience challenging conditions as there is a lag between economic recovery and the time it positively impacts revenues. As such, our results for the second quarter and the first six months of fiscal year 2011 have continued to be impacted. To mitigate the impact, BA remains focused on flawless execution, cost reductions and operational and working capital improvements.

For the business aircraft market, the industry continues to see stabilization in key indicators. According to Federal Aviation Administration (FAA) data, fleet activity (measured in terms of arrivals and departures) increased by 15% in the first six months of calendar year 2010 compared to the same period last year. According to BA's analysis using JETNET database (a leading provider of business aviation information), the number of pre-owned aircraft available for sale as a percentage of the total in-service fleet has continued to decrease, reaching 15.2% as at June 30, 2010, compared to 15.7% as at March 31, 2010 and to 17.8% as at June 30, 2009. However, the UBS Business Jet Market Conditions index, which is a measure of broker and dealer confidence, fell from 50 (the threshold for market stability) during the first quarter of calendar year 2010 to 41 during the second quarter of calendar year 2010, indicating a decline in business aircraft buyer confidence.

For the commercial aircraft market, the International Air Transport Association ("IATA") announced on July 28, 2010 that the global passenger load factor was at 79.8% in June 2010, which is an increase compared to 77.6% in December 2009 and to 75.3% in June 2009. In June 2010, IATA upgraded their 2010 forecast for the commercial airline industry to a net profit of $2.5 billion from the net loss of $2.8 billion projected in their March 2010 forecast, and confirmed that airlines face another difficult year in calendar year 2010, focused on carefully matching capacity to demand and controlling costs.

While both markets were affected by the recession, we believe that the market fundamentals are strong in the long-term for new business and commercial aircraft. We reaffirm our guidance to deliver approximately 15% and 20% fewer business and commercial aircraft respectively in fiscal year 2011 compared to fiscal year 2010. Our overall BA EBIT margin for fiscal year 2011 is expected to be at a similar level as fiscal year 2010.

ANALYSIS OF RESULTS

Results of operations

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Revenues				
Manufacturing				
Business aircraft	**$ 829**	$ 1,166	**$ 1,797**	$ 2,225
Commercial aircraft	**408**	588	**746**	1,227
Other	**130**	137	**272**	302
Total manufacturing revenues	**1,367**	1,891	**2,815**	3,754
Services[1]	**399**	344	**767**	673
Other[2]	**196**	164	**315**	191
Total revenues	**1,962**	2,399	**3,897**	4,618
Cost of sales	**1,679**	2,045	**3,292**	3,908
Margin	**283**	354	**605**	710
SG&A	**138**	147	**293**	301
R&D	**13**	(4)	**25**	(14)
Other income[3]	**(29)**	(36)	**(38)**	(28)
EBITDA	**161**	247	**325**	451
Amortization	**70**	93	**145**	187
EBIT	**$ 91**	$ 154	**$ 180**	$ 264
(as a percentage of total revenues)				
Margin	**14.4%**	14.8%	**15.5%**	15.4%
EBITDA	**8.2%**	10.3%	**8.3%**	9.8%
EBIT	**4.6%**	6.4%	**4.6%**	5.7%

(1) Includes revenues from parts logistics, aircraft fractional ownership and hourly flight entitlement programs' service activities, product support activities (including aircraft maintenance and commercial training) and special-mission aircraft solutions (including Military Aviation Training).
(2) Includes mainly sales of pre-owned aircraft.
(3) Includes net loss (gain) on certain financial instruments, foreign exchange losses (gains), severance and other involuntary termination costs (including changes in estimates), settlement of claims and losses (gains) related to disposals of businesses, PP&E and intangible assets.

Total aircraft deliveries

	Three-month periods ended July 31		Six-month periods ended July 31	
(in units)	**2010**	2009	**2010**	2009
Business aircraft				
Excluding those of the fractional ownership program	**27**	51	**63**	93
Fractional ownership program[1]	**-**	-	**-**	1
	27	51	**63**	94
Commercial aircraft	**18**	28	**34**	59
Amphibious aircraft	**1**	1	**2**	2
	46	80	**99**	155

(1) An aircraft delivery is included in the above table when the equivalent of 100% of the fractional shares of an aircraft model has been sold to external customers through *Flexjet*, or when a whole aircraft has been sold to external customers through the *Flexjet* One program.

Manufacturing revenues
The $524-million and $939-million decreases for the three- and six-month periods are mainly due to:
- lower deliveries of business aircraft, partially offset by a favourable mix and higher net selling prices for medium and large business aircraft ($337 million for the three-month period, $428 million for the six-month period); and
- lower deliveries of commercial aircraft partially offset by higher net selling prices ($180 million for the three-month period, $481 million for the six-month period).

Services revenues
The $55-million increase for the three-month period is mainly due to:
- higher revenues from special-mission aircraft solutions ($30 million); and
- higher aircraft maintenance revenues due to higher activities for business and commercial aircraft ($12 million).

The $94-million increase for the six-month period is mainly due to:
- higher aircraft maintenance revenues due to higher activities for business and commercial aircraft ($31 million);
- higher revenues from special-mission aircraft solutions ($19 million); and
- higher fractional and hourly programs' service activities mainly resulting from higher flight activity ($14 million).

Other revenues
The $32-million increase for the three-month period is mainly due to higher deliveries of pre-owned commercial aircraft ($39 million).

The $124-million increase for the six-month period is mainly due to higher deliveries of pre-owned business and commercial aircraft ($119 million).

EBIT margin
The 1.8 and 1.1 percentage-point decreases for the three- and six-month periods are mainly due to:
- higher cost of sales per unit, mainly due to price escalations of materials;
- lower liquidated damages from customers as a result of fewer business aircraft order cancellations;
- a net negative variance on financial instruments carried at fair value and recorded in other income; and
- lower absorption of SG&A expenses.

Partially offset by:
- higher net selling prices for medium and large business aircraft and for commercial aircraft;
- lower amortization expense, mainly due to the program tooling on some aircraft models being fully amortized;
- lower write-downs of pre-owned business aircraft inventories; and
- the mix between business and commercial aircraft deliveries for the six-month period.

The EBIT margins for the three- and six-month periods ended July 31, 2009 were also impacted by a non-recurring reduction in R&D expenses of $10 million and $28 million, respectively, following the receipt of contingently repayable investments from the Government of Canada, Québec and the U.K. in connection with previously expensed R&D costs for the *CSeries* family of aircraft.

The EBIT margin for the six-month period ended July 31, 2009 was also impacted by severance and other involuntary termination costs of $32 million recorded in other income resulting from the decisions in February and April 2009 to reduce our workforce and production rates.

FREE CASH FLOW

Free cash flow

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
EBIT	**$ 91**	$ 154	**$ 180**	$ 264
Amortization	**70**	93	**145**	187
EBITDA	**161**	247	**325**	451
Other non-cash items:				
Gain on disposals of PP&E	**(1)**	(1)	**(8)**	(11)
Stock-based compensation	**4**	5	**10**	11
Net change in non-cash balances related to operations	**(191)**	(148)	**(336)**	(754)
Net additions to PP&E and intangible assets	**(260)**	(113)	**(483)**	(237)
Free cash flow	**$ (287)**	$ (10)	**$ (492)**	$ (540)

The $277-million decrease for the three-month period ended July 31, 2010 compared to the three-month period ended July 31, 2009 is mainly due to:

- higher net additions to PP&E and intangible assets ($147 million);
- a lower EBITDA ($86 million); and
- a negative period-over-period variation in net change in non-cash balances related to operations ($43 million) (see explanation below).

The $48-million improvement for the six-month period ended July 31, 2010 compared to the six-month period ended July 31, 2009 is mainly due to:

- a positive period-over-period variation in net change in non-cash balances related to operations ($418 million) (see explanation below).

Partially offset by:

- higher net additions to PP&E and intangible assets ($246 million); and
- a lower EBITDA ($126 million).

Net change in non-cash balances related to operations

For the three-month period ended July 31, 2010, the $191-million cash outflow is mainly due to:

- a decrease in accounts payable and accrued liabilities;
- an increase in commercial aircraft financing; and
- an increase in inventories, mainly for commercial aircraft due to the delivery profile of these aircraft in fiscal year 2011.

Partially offset by:

- a decrease in business aircraft receivables.

For the three-month period ended July 31, 2009, the $148-million cash outflow was mainly due to:

- a decrease in accounts payable and accrued liabilities resulting mainly from the reduction in business aircraft production rates; and
- a decrease in advances on aerospace programs resulting mainly from a negative net order intake for business aircraft.

Partially offset by:

- a decrease in business aircraft receivables;
- a decrease in finished good inventories, resulting mainly from the delivery of business aircraft not previously associated with firm orders; and
- a decrease in work-in-progress inventories, resulting mainly from the reduction in business aircraft production rates.

For the six-month period ended July 31, 2010, the $336-million cash outflow is mainly due to:

- a decrease in advances on aerospace programs, resulting mainly from higher deliveries than orders received for business aircraft;

- an increase in inventories, mainly for commercial aircraft due to the delivery profile of these aircraft in fiscal year 2011; and
- an increase in commercial aircraft financing.

Partially offset by:
- an increase in accounts payable and accrued liabilities.

For the six-month period ended July 31, 2009, the $754-million cash outflow was mainly due to:
- a decrease in advances on aerospace programs, resulting mainly from a negative order intake for business aircraft; and
- a decrease in accounts payable and accrued liabilities, resulting mainly from the reduction in business aircraft production rates.

PRODUCT DEVELOPMENT

Product development costs

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Program tooling additions[1]	**$ 191**	$ 101	**$ 391**	$ 224
Program change and engineering[2]	**24**	26	**50**	53
R&D expenses	**13**	(4)	**25**	(14)
	$ 228	$ 123	**$ 466**	$ 263
As a percentage of manufacturing revenues	**16.7%**	6.5%	**16.6%**	7.0%

(1) Capitalized in intangible assets.
(2) Included in cost of sales.

Our program tooling investments are mainly due to the development of the *CSeries* family of aircraft, the *Learjet 85* aircraft, the *Global Vision* program, as well as the *CRJ1000 NextGen* aircraft. Despite the current economic context, we continue to make significant investments in our future.

The negative R&D expenses for the three- and six-month periods ended July 31, 2009 were mainly due to a $10-million and $28-million reduction in R&D expenses, respectively, following the receipt of contingently repayable investments from the governments of Canada, Québec and the U.K. in connection with R&D expenses of previous periods for the *CSeries* family of aircraft.

Commercial aircraft

CRJ1000 NextGen aircraft – Flight testing resumed in mid-February 2010 following the resolution of the software issue with the rudder command-by-wire system. Two aircraft are currently in flight testing and 95% of the planned test program has been completed. The full range of speed, altitude, weight and balance has been completed with final certification activities in progress. Entry into service preparations with customers are progressing and deliveries are scheduled to take place in the second half of calendar year 2010.

CSeries family of aircraft – The *CSeries* aircraft program has predominantly completed the Joint Definition Phase (JDP) and has transitioned to the Detailed Design Phase (DDP). We have started to release drawings to fabrication and production for the first ground and flight test aircraft. The program is on schedule for entry into service in calendar year 2013.

The Belfast operation, which is responsible for the design, development, manufacture and integration of the advanced composite wings for the *CSeries* aircraft, including all flight control surfaces and high lift systems, has successfully assembled a full-scale, three-quarter span pre-production demonstrator wing using its innovative Resin Transfer Infusion process. In March 2010, we announced that testing of the aircraft composite demonstrator wing was under way at the Belfast facility, representing another significant milestone in the development of this all-new aircraft. In July 2010, the ultimate load test on this wing was completed, successfully replicating 150% of the most severe forces the wing is ever likely to experience in service. Production of the

CSeries aircraft wings is due to get under way early in calendar year 2011 in a new 56,000 sq.m. (600,000 sq.ft.) purpose-built facility in Belfast. The construction of this *CSeries* aircraft facility is progressing as planned.

The Complete Integrated Aircraft Systems Test Area ("CIASTA") is progressing on schedule. The CIASTA is a systems-testing integration facility that will house a virtual *CSeries* test aircraft. The CIASTA will test aircraft systems for reliability and functionality one year before first flight and will continue to support systems integration during the flight test program. The building in Mirabel, Québec, which houses the CIASTA, was completed on schedule at the end of February 2010 and the testing and rig infrastructure installation is in progress.

Development wind tunnel tests are now complete and have confirmed the *CSeries* aircraft's overall performance benefits. Detailed wind tunnel tests will continue throughout calendar year 2010 and final production wind tunnel tests will be conducted in calendar year 2011.

In March 2010, Shenyang Aircraft Corporation ("SAC"), a subsidiary of the state-owned aviation industrial entity China Aviation Industry Corporation (AVIC) and a key supplier in the *CSeries* aircraft program, began construction of the facility in which the fuselage for the *CSeries* mainline commercial jetliners will be built. The 21,000 sq.m. (226,000 sq.ft.) facility will be operated by SAC.

The aluminum-lithium fuselage test barrel, which arrived in Saint-Laurent, Québec from China in August 2009, has successfully completed 60,000 fatigue cycles. Findings from the advanced test fuselage will be used by the design team to optimize the final production design.

Q400 aircraft – At the July 2010 Farnborough International Airshow, we announced that we will form part of a six-partner consortium, led by Saskatchewan-based Targeted Growth Canada (TGC). The consortium expects to demonstrate the suitability of the emerging biofuel produced from an oilseed crop (camelina) in a Porter Airlines *Q400* turboprop by early calendar year 2012. Renewable fuel from camelina offers a real opportunity to reduce the environmental impact of commercial aviation by significantly reducing aircraft lifecycle carbon emissions.

Business aircraft

Global Vision – The *Global Vision* flight deck program continues to progress through the certification flight test program. The program is on schedule for entry into service in calendar year 2012.

Learjet 85 aircraft – Having exited the Joint Definition Phase (JDP) in February 2010, we are now working with key suppliers worldwide in the Detail Design Phase (DDP). The composite readiness testing is progressing as planned and the program is on schedule for entry into service in calendar year 2013.

Another significant *Learjet 85* aircraft program milestone was achieved by successfully building our first composite manufacturing validation unit (MVU) for the aircraft's pressure fuselage section. The unit is being used to validate design concepts, manufacturing processes and quality. Construction of the *Learjet 85* aircraft manufacturing facility in Querétaro is progressing to plan and the first development parts started to be fabricated. The first tooling is being installed in the new 19,000 sq.m. (200,000 sq.ft). manufacturing facility, and it is anticipated that the production of the first test aircraft will begin in the near future.

In July 2010, we signed a purchase agreement for a *Learjet 85* full-flight simulator ("FFS"), which is an important step in the *Learjet 85* aircraft program and in the expansion of our worldwide pilot training and maintenance network. The FFS will be housed at our aircraft training centre in Montréal and will be used to support aircraft testing and certification in advance of the entry-into-service of the *Learjet 85* aircraft program.

Carrying amount of program tooling

	July 31, 2010	January 31, 2010
Business aircraft		
Learjet Series	**$ 354**	$ 234
Challenger Series	**219**	249
Global Series	**162**	135
Commercial aircraft		
CRJ Series	**503**	498
Q-Series	**26**	35
CSeries	**486**	289
	$ 1,750	$ 1,440

AIRCRAFT DELIVERIES

Business aircraft deliveries

	Three-month periods ended July 31		Six-month periods ended July 31	
(in units)	**2010**	2009	**2010**	2009
Light				
Learjet 40/40 XR/Learjet 45/45 XR	**2**	9	**8**	22
Learjet 60 XR	**1**	4	**3**	4
Medium				
Challenger 300	**5**	11	**11**	21
Challenger 605	**7**	6	**16**	13
Challenger 800 Series	**-**	6	**-**	4
Large				
Global 5000/Global Express XRS	**12**	15	**25**	30
	27	51	**63**	94

The sharp economic downturn that started in the third quarter of calendar year 2008 and continued in calendar year 2009, as well as the credit scarcity, created a significant challenge for our business aircraft customers, which led several customers to either defer or cancel their aircraft deliveries. Recovery in orders and revenues usually lags the economic recovery. Business aircraft market indicators, such as pre-owned inventory levels and aircraft utilization rates, are showing signs of recovery.

According to the latest General Aviation Manufacturers Association (“GAMA”) report dated August 4, 2010, we continue to be the business aircraft industry leader in terms of revenues and units delivered in the business aircraft market categories in which we compete for the first six months of calendar year 2010. Based on delivery data submitted to GAMA for these market categories, our business aircraft market share in units delivered amounts to 34% for the six-month period ended June 30, 2010, compared to 36% (restated from 35% to exclude commercial aircraft with a maximum takeoff weight in excess of 120,000 lbs converted to business aircraft) for the same period last year.

The aviation industry continues to experience difficulties, with business jet deliveries declining in most segments in the first half of calendar year 2010 compared to the same period last year. The light business aircraft category was the most impacted by the economic downturn, as evidenced by the significant decrease in our deliveries during the three- and six-month periods ended July 31, 2010 compared to the same periods last fiscal year.

Commercial aircraft deliveries

	Three-month periods ended July 31		Six-month periods ended July 31	
(in units)	**2010**	2009	**2010**	2009
Regional jets				
CRJ700 NextGen	**6**	8	**6**	10
CRJ900 NextGen	**-**	7	**4**	20
Turboprops				
Q300	**-**	1	**-**	5
Q400/Q400 NextGen	**12**	12	**24**	24
	18	28	**34**	59

The decrease in commercial aircraft deliveries is mainly due to lower deliveries of regional jets. The lower delivery of regional aircraft during the six-month period ended July 31, 2010 is consistent with the continued difficult environment of the airline industry. In addition, the reduced deliveries reflect our anticipated delivery profile of regional aircraft for fiscal year 2011, including the entry into service of the *CRJ1000* aircraft in the second part of fiscal year 2011.

BACKLOG AND ORDERS

Total order backlog

(in billions of dollars)	**July 31, 2010**	January 31, 2010
Aircraft programs	**$ 16.2**	$ 15.9
MAT	**0.9**	0.8
	$ 17.1	$ 16.7

The increase in the order backlog is mainly attributable to an order received for the *CSeries* family of aircraft, partially offset by a lower order backlog in business aircraft.

Book-to-bill ratio[1]

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Business aircraft	**0.5**	(1.0)	**0.3**	(1.0)
Commercial aircraft	**0.8**	0.5	**2.1**	1.1
Total	**0.6**	(0.5)	**0.9**	(0.2)

(1) Defined as net orders received over aircraft deliveries, in units.

Excluding the orders received for the *CSeries* aircraft program, the book-to-bill ratios for commercial aircraft would be 0.8 and 0.9 respectively for the three- and six-month periods ended July 31, 2010 (0.5 and 0.3 respectively for the three- and six-month periods ended July 31, 2009).

Total aircraft net orders

	July 31, 2010			July 31, 2009		
	Gross orders	**Cancellations/ Terminations**	**Net orders**	Gross orders	Cancellations/ Terminations	Net orders
Three-month periods						
Business aircraft (including those of the fractional ownership program)	**26**	**(12)**	**14** [(1)]	27	(80)	(53) [(2)]
Commercial aircraft	**15**	**-**	**15**	30	(15)	15 [(3)]
	41	**(12)**	**29**	57	(95)	(38)
Six-month periods						
Business aircraft (including those of the fractional ownership program)	**48**	**(28)**	**20** [(4)]	42	(136)	(94) [(5)]
Commercial aircraft	**73**	**(3)**	**70**	80	(15)	65
	121	**(31)**	**90**	122	(151)	(29)

(1) There were six firm order conversions to other business aircraft models.
(2) There were 17 firm order conversions to other business aircraft models.
(3) A firm order for five *CRJ900 NextGen* aircraft from Air Nostrum was converted to a firm order for five *CRJ1000 NextGen* aircraft.
(4) There were 13 firm order conversions to other business aircraft models.
(5) There were 22 firm order conversions to other business aircraft models.

Business aircraft net orders

The gross orders for the three- and six-month periods of fiscal year 2011 are essentially at the same level as at the same periods last fiscal year. The decrease in the level of cancellations reflects the continued stabilization of the worldwide business aircraft market.

Commercial aircraft net orders

	Three-month periods ended July 31		Six-month periods ended July 31	
(in units)	**2010**	2009	**2010**	2009
Regional jets				
CRJ900 NextGen	**8**	(5)	**8** [(1)]	(4)
CRJ1000 NextGen	**-**	5	**-**	4
Commercial jets				
CS100	**-**	-	**-**	33
CS300	**-**	-	**40**	17
Turboprops				
Q400/Q400 NextGen	**7**	15	**22**	15
	15	15	**70**	65

(1) As at April 30, 2010, an order for three *CRJ900 NextGen* aircraft was terminated and removed from the order backlog.

In February 2010, Republic Airways Holdings Inc. signed a purchase agreement for 40 *CS300* aircraft. The agreement also includes options for an additional 40 *CS300* aircraft. Republic Airways Holdings Inc. is the first North American airline to place a firm order for the *CSeries* aircraft. Based on the list price, the value of the firm order is $3.1 billion.

In April 2010, Jazz Air LP (Jazz) of Halifax, Nova Scotia signed a purchase agreement for 15 *Q400 NextGen* turboprops and took options on an additional 15 *Q400 NextGen* turboprops. Based on the list price, the value of the firm order is $454 million.

In April 2010, Pluna Lineas Aéreas Uruguayas S.A. signed a firm order for three *CRJ900 NextGen* regional jets and took options on an additional six *CRJ900 NextGen* aircraft. Based on the list price, the value of the firm order is $120 million.

In July 2010, Deutsche Lufthansa AG of Germany placed a firm order for eight *CRJ900 NextGen* regional jets. The transaction involved the exercise of eight previously announced purchase rights. Based on the list price, the contract is valued at $317 million.

In July 2010, Qantas Airways Ltd. placed a firm order for seven *Q400 NextGen* turboprop airliners. The aircraft will be operated by Qantas' wholly owned regional airline, QantasLink. Based on the list price, the contract is valued at $218 million.

In August 2010, Porter Airlines placed a firm order for four *Q400 NextGen* turboprop airliners and has taken options on an additional six *Q400 NextGen* aircraft. Based on the list price, the firm order is valued at $120 million. This order is not included in the order backlog as at July 31, 2010.

Commercial aircraft order backlog and options and conditional orders

	July 31, 2010		January 31, 2010	
	Aircraft on firm order	**Options and conditional orders**	Aircraft on firm order	Options and conditional orders
Regional jets				
CRJ700 NextGen	**35**	**5**	41	5
CRJ900 NextGen	**22**	**89**	18	104
CRJ1000 NextGen	**49**	**4**	49	4
Commercial jets				
CS100	**33** (1)	**33**	33 (2)	33
CS300	**57** (1)	**57**	17 (2)	17
Turboprops				
Q400/Q400 NextGen	**73**	**100**	75	115
	269	**288**	233	278

(1) The total of 90 orders includes 60 firm orders with conversion rights to the other *CSeries* aircraft model.
(2) The total of 50 orders includes 20 firm orders with conversion rights to the other *CSeries* aircraft model.

On January 5, 2010, Mesa Air Group, Inc. ("Mesa") announced that it had started financial restructuring through the voluntary filing of petitions to reorganize under Chapter 11 of the U.S. Bankruptcy Code. Bombardier Inc. is a member of the Unsecured Creditors' Committee. As at July 31, 2010, there were 10 *CRJ700 NextGen* aircraft in our order backlog yet to be delivered to Mesa. We are continuously monitoring the situation with Mesa and the potential impact this may have on us. As part of the restructuring plan, Mesa may choose not to take delivery of these aircraft. Furthermore, Mesa has rejected certain aircraft in its current fleet for which we have provided financing support such as credit guarantees. Our assessment of how Mesa will reorganize and emerge from Chapter 11 has been taken into consideration in the determination of our provisions.

WORKFORCE

Total number of employees

	July 31, 2010	January 31, 2010
Permanent	**27,800**	27,650
Contractual	**1,400**	1,250
	29,200	28,900

The increase in the number of employees is due to new hires related to the *CSeries* and *Learjet 85* aircraft programs. Our long-term human resources strategy is to continue to maintain a mix of permanent and contractual workers to provide increased flexibility in periods of fluctuation and thus ensure stability of our permanent workforce.

Collective agreements

The agreements with Unite the Union and the General Machinists & Boilermakers, covering approximately 4,300 employees in Belfast, expired on January 24, 2010. A new three-year agreement was reached in July 2010, which became effective January 25, 2010 and will expire on January 24, 2013.

The collective agreement with Confederación de Trabajadores de México, covering approximately 700 employees in Mexico, expired on April 27, 2010. A new one-year agreement was reached on May 1, 2010 and will expire on April 30, 2011.

TRANSPORTATION

HIGHLIGHTS

- Revenues of $2.1 billion, compared to $2.5 billion for the same period last fiscal year.
- EBIT of $140 million, or 6.6% of revenues, compared to $159 million, or 6.2%, for the same period last fiscal year.
- Free cash flow usage of $132 million, compared to a free cash flow of $149 million for the same period last fiscal year.
- $4.3 billion in new orders (book-to-bill[1] ratio of 2.0), compared to $3.0 billion (book-to-bill ratio of 1.2) for the same period last fiscal year, the highest order intake in a single quarter since the fourth quarter of fiscal year 2007.
- Order backlog of $30.3 billion as at July 31, 2010, compared to $27.1 billion as at January 31, 2010.
- Signing of an order for 59 double-deck trains for long-distance services with the Swiss Federal Railways (SBB), valued at $1.6 billion, and an order for 182 *FLEXITY* trams with Metrolinx, Canada, valued at $745 million.
- Launch order for the supply, installation, operation and maintenance of our next generation *INNOVIA* Monorail 300 fully automated transit system.

(1) Ratio of new orders over revenues.

BUSINESS ENVIRONMENT

The global economy continues to show signs of recovery. Emerging markets such as China, Brazil, India and Russia are regaining their pre-crisis growth rates and thereby gradually drive global recovery. Some mature economies also show first signs of improvement, but uncertainties remain.

For the overall rail market, we continue to see a high level of activity across regions. This contributed to the significant orders in Europe, North America, Asia, and in the Middle East in different segments that we received in the past few months. However, not all passenger operators are experiencing the same level of activity, with some seeing increases in passenger volumes while others are seeing decreases.

Freight operators continue to see stabilizing volumes, with some even posting strong growth compared to the same period last year. This development marks a recovery from the low levels of freight volume seen in fiscal year 2010, when customers cancelled or delayed orders for freight locomotives. The services market, following the general economic trend, is now stabilizing but uncertainties remain.

ANALYSIS OF RESULTS

Results of operations[1]

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Revenues				
Rolling stock[2]	**$ 1,471**	$ 1,851	**$ 3,142**	$ 3,498
Services[3]	**300**	364	**628**	699
System and signalling[4] [5]	**346**	332	**658**	602
Total revenues	**2,117**	2,547	**4,428**	4,799
Cost of sales	**1,731**	2,110	**3,641**	3,980
Margin	**386**	437	**787**	819
SG&A	**189**	215	**387**	407
R&D	**32**	33	**65**	63
Other expense (income)[6]	**(5)**	-	**(2)**	9
EBITDA	**170**	189	**337**	340
Amortization	**30**	30	**62**	56
EBIT	**$ 140**	$ 159	**$ 275**	$ 284
(as a percentage of total revenues)				
Margin	**18.2%**	17.2%	**17.8%**	17.1%
EBITDA	**8.0%**	7.4%	**7.6%**	7.1%
EBIT	**6.6%**	6.2%	**6.2%**	5.9%

(1) The results of operations of entities using functional currencies other than the U.S. dollar (mainly the euro, pound sterling and other Western European currencies) are translated into U.S. dollars using the average exchange rates for the relevant periods. The impact of lower exchange rates of the euro and other European currencies compared to the U.S. dollar negatively affects revenues and positively affects expenses, while higher exchange rates would have the opposite impact (defined as “negative currency impact” and “positive currency impact”). See the Foreign exchange rates section in Other for the average exchange rates used to translate revenues and expenses.
(2) Comprised of light rail vehicles, metro cars, commuter and regional trains, intercity trains, high speed and very high speed trains, locomotives, propulsion and controls, as well as bogies revenues, presented in the caption manufacturing revenues in the interim consolidated statements of income.
(3) Comprised of fleet maintenance, refurbishment and overhaul, as well as material solutions revenues.
(4) The revenues of system and signalling are presented in the caption other revenues in the interim consolidated statements of income.
(5) Excluding the rolling stock portion of system orders manufactured by our other divisions.
(6) Includes net loss (gain) on certain financial instruments, foreign exchange losses (gains), severance and other involuntary termination costs (including changes in estimates and capacity adjustments), losses (gains) from equity accounted investees, losses (gains) on disposals of PP&E, and intangible assets, losses (gains) on the sale of business, and risk provisions.

Revenues by geographical region

	Three-month periods ended July 31				Six-month periods ended July 31			
	2010		2009		**2010**		2009	
Europe	**$ 1,365** [1]	**64%**	$ 1,846	73%	**$ 2,941** [1]	**66%**	$ 3,505	73%
Asia-Pacific	**388**	**18%**	376	15%	**729**	**17%**	654	14%
North America	**288**	**14%**	241	9%	**612**	**14%**	482	10%
Other	**76**	**4%**	84	3%	**146**	**3%**	158	3%
	$ 2,117		$ 2,547		**$ 4,428**		$ 4,799	

(1) Amounts include a negative currency impact of $143 million for the three-month period and $46 million for the six-month period.

Rolling stock revenues
The $380-million decrease for the three-month period is mainly due to lower activities:

- in locomotives in Europe, as a result of the low level of order intake in fiscal year 2010 due to the challenging economic environment in the freight business ($194 million);
- in intercity, high speed and very high speed trains, mainly in Europe ($108 million);
- in mass transit in North America, following the completion of existing contracts and due to the timing of new orders ($38 million); and
- in commuter and regional trains in South Africa ($31 million), due to the start of operations of our *ELECTROSTAR* trains in Johannesburg, known as Gautrain, at the beginning of June 2010.

Partially offset by higher activities:

- in locomotives in North America ($55 million); and
- in commuter and regional trains, light rail vehicles and metro cars, mainly in Asia ($49 million).

The decrease also reflects a negative currency impact ($98 million).

The $356-million decrease for the six-month period is mainly due to lower activities:

- in locomotives in Europe, as a result of the low level of order intake in fiscal year 2010 due to the challenging economic environment in the freight business ($336 million); and
- in intercity, high speed and very high speed trains, mainly in Europe ($196 million).

Partially offset by higher activities:

- in commuter and regional trains, light rail vehicles and metro cars, mainly in Asia and Western Europe ($95 million); and
- in locomotives in North America ($90 million).

Services revenues
The $64-million decrease for the three-month period is mainly due to:

- lower activities, mostly in Europe, as a result of the low level of order intake in fiscal year 2010 due to the challenging economic environment ($43 million); and
- a negative currency impact ($18 million).

The $71-million decrease for the six-month period is mainly due to lower activities, mostly in Europe, as a result of the low level of order intake in fiscal year 2010 due to the challenging economic environment ($73 million).

System and signalling revenues
The $14-million increase for the three-month period is mainly due to:

- higher activities in systems in Europe, South Africa and North America ($37 million).

Partially offset by:

- a negative currency impact ($12 million).

The $56-million increase for the six-month period is mainly due to:

- higher activities in systems in Europe and North America ($49 million); and
- a positive currency impact ($17 million).

Partially offset by:

- lower activities in systems in Asia ($14 million).

EBIT margin
The 0.4 and 0.3 percentage-point increases for the three-and six-month periods are mainly due to:

- better overall contract execution.

Partially offset by:

- lower absorption of R&D, SG&A and amortization expenses as a result of lower revenues.

FREE CASH FLOW

Free cash flow

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
EBIT	**$ 140**	$ 159	**$ 275**	$ 284
Amortization	**30**	30	**62**	56
EBITDA	**170**	189	**337**	340
Other non-cash items:				
Gain on disposals of PP&E	**-**	-	**(2)**	-
Stock-based compensation	**5**	6	**11**	11
Net change in non-cash balances related to operations	**(287)**	(4)	**(471)**	(390)
Net additions to PP&E and intangible assets	**(20)**	(42)	**(34)**	(72)
Free cash flow	**$ (132)**	$ 149	**$ (159)**	$ (111)

The $281-million decrease for the three-month period ended July 31, 2010 compared to the three-month period ended July 31, 2009 is mainly due to a negative period-over-period variation in net change in non-cash balances related to operations ($283 million) (see explanations below).

The $48-million decrease for the six-month period ended July 31, 2010 compared to the six-month period ended July 31, 2009 is mainly due to:

- a negative period-over-period variation in net change in non-cash balances related to operations ($81 million) (see explanations below).

Partially offset by:

- lower net additions to PP&E and intangible assets ($38 million).

Net change in non-cash balances related to operations
For the three- and six-month periods ended July 31, 2010, the $287-million and $471-million cash outflows are mainly due to lower advances and milestone payments received on new orders and existing contracts and lower trades payable as a result of reduced level of activities in Europe, partially offset by a decrease in inventories also resulting from the reduced level of activities in Europe as well as the inventory optimization program.

For the three-month period ended July 31, 2009, the $4-million cash outflow was mainly due to:

- the ramp-up in production of projects, leading to an increase in inventories and a decrease in advances and progress billings in excess of related long-term contract costs, partially offset by an increase in accounts payable and accrued liabilities.

Partially offset by:

- a decrease in accounts receivable.

For the six-month period ended July 31, 2009, the $390-million cash outflow was mainly due to:

- a lower order intake and related receipt of advance payments leading to a decrease in advances and progress billings in excess of related long-term contract costs; and
- the ramp-up in production of projects, leading to an increase in inventories and a decrease in advances and progress billings in excess of related long-term contract costs, partially offset by an increase in accounts payable and accrued liabilities.

Partially offset by:

- a decrease in accounts receivable.

BACKLOG AND ORDERS

Order backlog

(in billions of dollars)	**July 31, 2010**	January 31, 2010
Rolling stock	**$ 21.3**	$ 18.5
Services	**6.1**	5.9
System and signalling	**2.9**	2.7
	$ 30.3	$ 27.1

The 12% increase in order backlog is mostly due to order intake being significantly higher than revenues recorded ($2.8 billion).

Order intake and book-to-bill ratio

	Three-month periods ended July 31		**Six-month periods ended July 31**	
(in billions of dollars)	**2010**	2009	**2010**	2009
Rolling stock	**$ 3.3**	$ 2.5	**$ 5.7**	$ 3.2
Services	**0.6**	0.3	**0.8**	0.5
System and signalling	**0.4**	0.2	**0.7**	0.5
	$ 4.3	$ 3.0	**$ 7.2**	$ 4.2
Book-to-bill ratio	**2.0**	1.2	**1.6**	0.9

For the three-month period ended July 31, 2010, we achieved a book-to-bill ratio of 2.0. The increase in order intake for the three-month period is mainly due to higher order intake in North America and Europe in rolling stock and services.

For the six-month period ended July 31, 2010, we achieved a book-to-bill ratio of 1.6. The increase in order intake for the six-month period is mainly due to:

- higher order intake in Europe and North America in rolling stock and services.

Partially offset by:

- a negative currency impact ($142 million).

We received the following major orders during the first half of fiscal year 2011:

Customer	Product or service	Number of cars	Rolling stock	Services	System and signalling
Swiss Federal Railways (SBB), Switzerland	*TWINDEXX* double-deck trains	436	$ 1,600		
Société Nationale des Chemins de fer Français (SNCF), France	Double-deck EMUs	872	1,574		
Metrolinx, Canada	*FLEXITY* trams	182	745		
Undisclosed	Fleet maintenance services			$ 475	
Toronto Transit Commission (TTC), Canada	Subway cars	186	378		
Deutsche Bahn AG, Germany	*TALENT* 2 trains	188	272		
Saudi Oger Limited, Kingdom of Saudi Arabia	*INNOVIA* Monorail 300 system, and operations and maintenance	12			$ 241
Hungarian State Railways (MÁV), Hungary	*TRAXX* locomotives	25	112		
Delhi Metro Rail Corporation Ltd (DMRC), India	*MOVIA* metro cars	74	101		

In February 2010, we signed a framework agreement with the French railways SNCF for the design and manufacturing of 860 double-deck EMUs for an estimated amount of up to $11 billion, based on the expected exercise of technical options. In the first quarter of fiscal year 2011, two firm orders for a total of 129 trains (872 cars) valued at $1.6 billion were obtained under this framework agreement.

Subsequent to the end of the second quarter of fiscal year 2011, our Chinese joint venture Sifang (Qingdao) Transportation Ltd. (BST) was awarded an order for 40 CRH1 high speed trainsets from the Chinese Ministry of Railways (MOR). The total value of the contract is $761 million (including China's value added tax), of which our share is $373 million (excluding taxes). This order is not included in our order backlog as at July 31, 2010.

WORKFORCE

Total number of employees

	July 31, 2010	January 31, 2010 [1]
Permanent	**30,350**	30,600
Contractual	**4,450**	4,350
	34,800	34,950

[1] Restated to include inactive employees.

We have reduced our headcount in Europe and North America, while the headcount in our growing markets of Asia has increased.

OTHER

RISKS AND UNCERTAINTIES

We operate in industry segments that have a variety of risk factors and uncertainties. The risks and uncertainties that could materially affect our business, financial condition and results of operations are described in our Annual Report for fiscal year 2010 in Other, but are not necessarily the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us, or that we currently believe to be immaterial, may also adversely affect our business. Where practicable, we apply risk management and mitigation practices to reduce the nature and extent of our exposure to these risks to an acceptable level.

There was no significant change to these risks and uncertainties during the six-month period ended July 31, 2010, other than those described elsewhere in this MD&A.

ACCOUNTING AND REPORTING DEVELOPMENTS

FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS
In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable entities will be changed to IFRS. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. This change is effective for our interim and annual financial statements beginning February 1, 2011.

There has been no significant change to our IFRS changeover plan and our project is progressing according to plan. There has been no significant modification in key differences in accounting treatment and potential key impacts as assessed in our Annual Report for fiscal year 2010. We will provide updates as further progress is achieved and conclusions are reached.

CONTROLS AND PROCEDURES

No changes were made to our internal controls over financial reporting during the three-month period ended July 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

FOREIGN EXCHANGE RATES

We are subject to currency fluctuations from the translation of revenues, expenses, assets and liabilities of our self-sustaining foreign operations using a functional currency other than the U.S. dollar, mainly the euro, pound sterling and other Western European currencies, and from transactions denominated in foreign currencies, mainly the Canadian dollar and pound sterling.

The period-end exchange rates used to translate assets and liabilities were as follows as at:

	July 31, 2010	January 31, 2010	Increase (decrease)
Euro	**1.3068**	1.3870	(6%)
Canadian dollar	**0.9718**	0.9390	3%
Pound sterling	**1.5713**	1.6008	(2%)

The average exchange rates used to translate revenues and expenses were as follows for the three-month periods ended July 31:

	2010	2009	Increase (decrease)
Euro	**1.2536**	1.3923	(10%)
Canadian dollar	**0.9615**	0.8831	9%
Pound sterling	**1.4911**	1.6061	(7%)

The average exchange rates used to translate revenues and expenses were as follows for the six-month periods ended July 31:

	2010	2009	Increase (decrease)
Euro	**1.3044**	1.3466	(3%)
Canadian dollar	**0.9673**	0.8431	15%
Pound sterling	**1.5124**	1.5238	(1%)

SELECTED FINANCIAL INFORMATION

The following table provides selected financial information for the last eight quarters.

	Fiscal year 2011		Fiscal year 2010				Fiscal year 2009	
	Second quarter	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter	Fourth quarter	Third quarter
Revenues	**$ 4,079**	$ 4,246	$ 5,352	$ 4,597	$ 4,946	$ 4,471	$ 5,429	$ 4,571
Net income	**$ 148**	$ 153	$ 179	$ 168	$ 202	$ 158	$ 312	$ 226
EPS (in dollars):								
Basic and diluted	**$ 0.08**	$ 0.08	$ 0.10	$ 0.09	$ 0.11	$ 0.09	$ 0.17	$ 0.12

INVESTOR INFORMATION

Authorized, issued and outstanding share data as at August 30, 2010

	Authorized	**Issued and outstanding**
Class A Shares (Multiple Voting)[1]	1,892,000,000	316,109,537
Class B Shares (Subordinate Voting)[2]	1,892,000,000	1,409,856,470 [3]
Series 2 Cumulative Redeemable Preferred Shares	12,000,000	9,464,920
Series 3 Cumulative Redeemable Preferred Shares	12,000,000	2,535,080
Series 4 Cumulative Redeemable Preferred Shares	9,400,000	9,400,000

(1) 10 votes each, convertible at the option of the holder into one Class B Share (Subordinate Voting).
(2) Convertible at the option of the holder into one Class A Share (Multiple Voting) under certain conditions.
(3) Net of 26,672,674 Class B Shares (Subordinate Voting) purchased and held in trust in connection with the PSU plan.

Normal course issuer bid
Our Board of Directors authorized the repurchase for cancellation, in the normal course of our activities from April 9, 2010 to April 8, 2011, of up to 3,000,000 Class B Shares (Subordinate Voting) and up to 660,000 Class A Shares (Multiple Voting) in connection with the new DSU plan (see Note 9 – Share-based plans).

During the three-month period ended April 30, 2010, 3,000,000 Class B Shares (Subordinate Voting) were repurchased and cancelled, for a total amount of $16 million.

Shareholders may obtain a free copy of the documents filed with the Toronto Stock Exchange concerning this normal course issuer bid by writing to our Corporate Secretary.

Share option, PSU and DSU data as at July 31, 2010

Options issued and outstanding under the share option plans	37,130,939
PSUs and DSUs issued and outstanding under the PSU and DSU plans	21,236,386
Class B Shares held in trust to satisfy PSU obligations	(26,672,674)

Expected issuance date of our financial reports for the next 12 months

Third Quarterly Report, for the period ended October 31, 2010	December 2, 2010
Annual Report, for the fiscal year ended January 31, 2011	March 31, 2011
First Quarterly Report, for the period ended April 30, 2011	June 1, 2011
Second Quarterly Report for the period ended July 31, 2011	August 31, 2011

Information

Bombardier Inc.
Investor Relations
800 René-Lévesque Blvd. West
Montréal, Québec, Canada H3B 1Y8
Telephone: +1 514-861-9481, extension 13273
Fax: +1 514-861-2420
E-mail: investors@bombardier.com

August 31, 2010

Additional information relating to Bombardier, including the Corporation's annual report and annual information form, can be found on SEDAR at www.sedar.com or on Bombardier's Web site at www.bombardier.com.

Printed on Rolland Enviro100, a paper containing 100% post-consumer fibres, certified EcoLogo, processed chlorine free and FSC recycled. Using this paper, instead of virgin paper, saves the equivalent of 20 mature trees, 576 kg of solid waste, 1,264 kg of atmospheric emissions (equivalent to 0.3 car per year) and 54,464 litres of water (equivalent to a shower of 2.5 days).

Bombardier Inc., 800 René-Lévesque Blvd. West, Montréal, Québec, Canada H3B 1Y8
Telephone: +1 514-861-9481; fax: +1 514-861-2420; website: www.bombardier.com

Un exemplaire en français est disponible sur demande adressée auprès du Service des Affaires publiques ou sur notre site Internet à l'adresse www.bombardier.com sous Relations avec les investisseurs.

BOMBARDIER INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In millions of U.S. dollars, except number of shares)

	Notes	**July 31, 2010**	January 31, 2010
Assets			
Cash and cash equivalents	6	**$ 2,776**	$ 3,372
Invested collateral	6	**650**	682
Receivables		**1,861**	1,897
Aircraft financing		**570**	473
Inventories	4	**5,544**	5,268
PP&E		**1,682**	1,643
Intangible assets		**1,988**	1,696
Fractional ownership deferred costs		**196**	271
Deferred income taxes		**1,153**	1,166
Accrued benefit assets		**1,112**	1,070
Derivative financial instruments	3	**659**	482
Goodwill		**2,230**	2,247
Other assets	5	**1,128**	1,006
		$ 21,549	$ 21,273
Liabilities			
Accounts payable and accrued liabilities	7	**$ 7,290**	$ 7,427
Advances and progress billings in excess of related long-term contract costs		**1,867**	1,899
Advances on aerospace programs		**1,855**	2,092
Fractional ownership deferred revenues		**257**	346
Deferred income taxes		**65**	65
Long-term debt	8	**4,633**	4,162
Accrued benefit liabilities		**1,102**	1,084
Derivative financial instruments	3	**596**	429
		17,665	17,504
Equity			
Preferred shares			
Issued and outstanding:			
Series 2: 9,464,920		**159**	159
Series 3: 2,535,080		**40**	40
Series 4: 9,400,000		**148**	148
Common shares			
Issued and outstanding:			
Class A: 316,109,537 (316,231,937 as at January 31, 2010)		**29**	29
Class B: 1,436,504,144 (1,438,517,706 as at January 31, 2010)		**1,430**	1,430
Purchased and held in trust under the PSU plan:			
26,672,674 Class B (25,098,637 as at January 31, 2010)		**(134)**	(135)
Contributed surplus		**106**	132
Retained earnings		**2,272**	2,087
AOCI	10	**(231)**	(189)
Equity attributable to shareholders of Bombardier Inc.		**3,819**	3,701
Equity attributable to non-controlling interests		**65**	68
Equity		**3,884**	3,769
		$ 21,549	$ 21,273
Commitments and contingencies	16		

The accompanying notes are an integral part of these interim consolidated financial statements.

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
(In millions of U.S. dollars)

		Three-month periods ended July 31		Six-month periods ended July 31	
		2010	2009	**2010**	2009
	Notes				
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF BOMBARDIER INC.					
Preferred shares		**$ 347**	$ 347	**$ 347**	$ 347
Common shares					
Balance at beginning of period		**1,322**	1,327	**1,324**	1,327
Issuance of Class B Shares		**2**	-	**3**	-
Repurchase of Class B Shares	9	**-**	-	**(3)**	-
Class B Shares - held in trust under the PSU plan					
Purchased		**(46)**	(21)	**(46)**	(21)
Distributed		**47**	16	**47**	16
Balance at end of period		**1,325**	1,322	**1,325**	1,322
Contributed surplus					
Balance at beginning of period		**144**	115	**132**	104
Stock-based compensation	9	**9**	11	**21**	22
Options exercised and shares distributed under the PSU plan		**(47)**	(16)	**(47)**	(16)
Balance at end of period		**106**	110	**106**	110
Retained earnings					
Balance at beginning of period		**2,177**	1,682	**2,087**	1,567
Net income attributable to shareholders of Bombardier Inc.		**144**	198	**296**	354
Dividends:					
Common shares		**(43)**	(39)	**(87)**	(75)
Preferred shares, net of tax		**(6)**	(5)	**(11)**	(10)
Excess of price paid over carrying value of repurchased Class B Shares	9	**-**	-	**(13)**	-
Balance at end of period		**2,272**	1,836	**2,272**	1,836
AOCI	10				
Balance at beginning of period		**(192)**	(652)	**(189)**	(801)
OCI attributable to shareholders of Bombardier Inc.		**(39)**	454	**(42)**	603
Balance at end of period		**(231)**	(198)	**(231)**	(198)
		3,819	3,417	**3,819**	3,417
EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS					
Balance at beginning of period		**71**	67	**68**	66
Foreign exchange re-evaluation		**(1)**	6	**(3)**	8
Net income attributable to non-controlling interests		**4**	4	**5**	6
OCI attributable to non-controlling interests		**(4)**	(1)	**-**	(4)
Capital distribution		**(8)**	-	**(8)**	-
Capital injection		**3**	-	**3**	-
Balance at end of period		**65**	76	**65**	76
EQUITY		**$ 3,884**	$ 3,493	**$ 3,884**	$ 3,493

The accompanying notes are an integral part of these interim consolidated financial statements.

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In millions of U.S. dollars, except per share amounts)

	Notes	Three-month periods ended July 31		Six-month periods ended July 31	
		2010	2009	**2010**	2009
Revenues					
Manufacturing		**$ 2,838**	$ 3,742	**$ 5,957**	$ 7,252
Services		**699**	708	**1,395**	1,372
Other		**542**	496	**973**	793
		4,079	4,946	**8,325**	9,417
Cost of sales	4	**3,410**	4,155	**6,933**	7,888
SG&A		**327**	362	**680**	708
R&D		**45**	29	**90**	49
Other income	11	**(34)**	(36)	**(40)**	(19)
Amortization		**100**	123	**207**	243
		3,848	4,633	**7,870**	8,869
Income before the following:		**231**	313	**455**	548
Financing income	12	**(16)**	(23)	**(53)**	(58)
Financing expense	12	**60**	72	**125**	140
Income before income taxes		**187**	264	**383**	466
Income taxes		**39**	62	**82**	106
Net income		**$ 148**	$ 202	**$ 301**	$ 360
Attributable to:					
Shareholders of Bombardier Inc.		**$ 144**	$ 198	**$ 296**	$ 354
Non-controlling interests		**$ 4**	$ 4	**$ 5**	$ 6
EPS (in dollars)	13				
Basic and diluted		**$ 0.08**	$ 0.11	**$ 0.16**	$ 0.20

The accompanying notes are an integral part of these interim consolidated financial statements.

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In millions of U.S. dollars)

		Three-month periods ended July 31		Six-month periods ended July 31	
		2010	2009	**2010**	2009
	Notes				
Net income		**$ 148**	$ 202	**$ 301**	$ 360
OCI	10				
Net unrealized gain on financial assets AFS, net of tax		**4**	3	**6**	8
Net change in cash flow hedges:					
Foreign exchange re-evaluation		**-**	-	**5**	2
Net gain (loss) on derivative financial instruments designated as cash flow hedges[(1)]		**(165)**	349	**(118)**	470
Reclassification to income or to the related non financial asset		**43**	45	**51**	126
Income tax recovery (expense)		**24**	(124)	**6**	(178)
		(98)	270	**(56)**	420
CTA					
Net investments in self-sustaining foreign operations[(2)]		**(16)**	386	**(154)**	444
Net gain (loss) on related hedging items		**67**	(206)	**162**	(273)
		51	180	**8**	171
Total OCI		**(43)**	453	**(42)**	599
Total comprehensive income		**$ 105**	$ 655	**$ 259**	$ 959
Attributable to:					
Shareholders of Bombardier Inc.		**$ 105**	$ 652	**$ 254**	$ 957
Non-controlling interests		**$ -**	$ 3	**$ 5**	$ 2

(1) Includes a loss of $1 million attributable to non-controlling interests for the three- and six-month periods ended July 31, 2009.
(2) Includes a loss of $4 million and nil attributable to non-controlling interests for the three- and six-month periods ended July 31, 2010 (nil and a loss of $3 million for the three- and six-month periods ended July 31, 2009).

The accompanying notes are an integral part of these interim consolidated financial statements.

BOMBARDIER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In millions of U.S. dollars)

	Notes	Three-month periods ended July 31 2010	Three-month periods ended July 31 2009	Six-month periods ended July 31 2010	Six-month periods ended July 31 2009
Operating activities					
Net income		**$ 148**	$ 202	**$ 301**	$ 360
Non-cash items:					
Amortization		**100**	123	**207**	243
Deferred income taxes		**(13)**	35	**4**	58
Gain on disposals of PP&E	11	**(1)**	(1)	**(10)**	(11)
Stock-based compensation	9	**9**	11	**21**	22
Gains on repurchase of long-term debts	12	**-**	-	**(15)**	-
Net change in non-cash balances related to operations	14	**(471)**	(197)	**(716)**	(1,162)
Cash flows from operating activities		**(228)**	173	**(208)**	(490)
Investing activities					
Additions to PP&E and intangible assets		**(284)**	(162)	**(533)**	(331)
Disposals of PP&E and intangible assets		**4**	7	**16**	22
Invested collateral		**-**	81	**-**	81
Other		**(57)**	(85)	**(62)**	(87)
Cash flows from investing activities		**(337)**	(159)	**(579)**	(315)
Financing activities					
Proceeds from issuance of long-term debt	8	**7**	4	**1,483**	4
Repayments of long-term debt	8	**(3)**	(2)	**(1,056)**	(4)
Purchase of Class B Shares - held in trust under the PSU plan		**(46)**	(21)	**(46)**	(21)
Repurchase of Class B Shares	9	**-**	-	**(16)**	-
Dividends paid		**(93)**	(80)	**(98)**	(85)
Other		**(18)**	-	**(21)**	-
Cash flows from financing activities		**(153)**	(99)	**246**	(106)
Effect of exchange rate changes on cash and cash equivalents		**(37)**	202	**(55)**	245
Net increase (decrease) in cash and cash equivalents		**(755)**	117	**(596)**	(666)
Cash and cash equivalents at beginning of period		**3,531**	2,687	**3,372**	3,470
Cash and cash equivalents at end of period		**$ 2,776**	$ 2,804	**$ 2,776**	$ 2,804
Supplemental information					
Cash paid for:					
Interest		**$ 134**	$ 109	**$ 177**	$ 145
Income taxes		**$ 36**	$ 28	**$ 58**	$ 42

The accompanying notes are an integral part of these interim consolidated financial statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended July 31, 2010
(Unaudited)
(Tabular figures are in millions of U.S. dollars, unless otherwise indicated)

Bombardier Inc. (“the Corporation”) is incorporated under the laws of Canada and is a manufacturer of transportation equipment, including business and commercial aircraft and rail transportation equipment and systems, and is a provider of related services.

1. BASIS OF PRESENTATION

The interim consolidated financial statements are expressed in U.S. dollars and have been prepared in accordance with Canadian GAAP applicable to interim consolidated financial statements, and follow the same accounting policies and methods in their application as the most recent annual Consolidated Financial Statements. In the opinion of Management, all adjustments necessary for a fair presentation are reflected in the interim consolidated financial statements. Such adjustments are of a normal and recurring nature. The interim consolidated financial statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included in the Corporation’s Annual Report for fiscal year 2010.

The results of operations for the interim periods are not necessarily indicative of the results of operations for the full fiscal year. The fourth quarter has historically been the strongest in terms of revenues and profitability.

Bombardier Inc. and its subsidiaries carry out their operations in two distinct segments, the aerospace segment (BA) and the transportation segment (BT), each one characterized by a specific operating cycle; therefore, the consolidated balance sheets are unclassified. Most legal entities of BT use a December 31 fiscal year-end. As a result, the Corporation consolidates the operations of BT with a one-month lag with the remainder of its operations. To the extent that significant transactions or events occur during the one-month lag period, the Corporation’s interim consolidated financial statements are adjusted accordingly.

2. FUTURE CHANGES IN ACCOUNTING POLICIES

IFRS

In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable entities will be changed to IFRS effective in calendar year 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. First reporting under IFRS is required for the Corporation’s interim and annual financial statements beginning on February 1, 2011. For more details on the Corporation IFRS conversion, refer to the IFRS section of the Corporation’s fiscal year 2010 Annual Report.

3. FINANCIAL INSTRUMENTS

The classification of financial instruments as HFT, AFS, L&R and other than HFT and their fair values were as follows as at:

							July 31, 2010
	HFT						
	Required	Designated	AFS	Amortized cost [(1)]	DDHR [(2)]	Total carrying value	Fair value
Financial assets							
Cash and cash equivalents	$ 2,776	$ -	$ -	$ -	$ -	$ 2,776	$ 2,776
Invested collateral	-	650	-	-	-	650	650
Receivables	-	-	-	1,748 [(3)]	-	1,748	1,748
Aircraft financing	-	335 [(4)]	-	95 [(5)]	-	430	432
Derivative financial instruments	103 [(6)]	-	-	-	556	659	659
Other assets	-	235 [(7)]	393 [(8)]	122 [(9)]	-	750	750
	$ 2,879	$ 1,220	$ 393	$ 1,965	$ 556	$ 7,013	$ 7,015
Financial liabilities							
Accounts payable and accrued liabilities	$ -	$ 172 [(10)]	n/a	$ 3,442 [(11)]	$ -	$ 3,614	$ 3,614
Long-term debt	-	-	n/a	4,633	-	4,633	4,558
Derivative financial instruments	76 [(6)]	-	n/a	-	520	596	596
	$ 76	$ 172	n/a	$ 8,075	$ 520	$ 8,843	$ 8,768

							January 31, 2010
	HFT						
	Required	Designated	AFS	Amortized cost [(1)]	DDHR [(2)]	Total carrying value	Fair Value
Financial assets							
Cash and cash equivalents	$ 3,372	$ -	$ -	$ -	$ -	$ 3,372	$ 3,372
Invested collateral	-	682	-	-	-	682	682
Receivables	-	-	-	1,766 [(3)]	-	1,766	1,766
Aircraft financing	-	280 [(4)]	-	95 [(5)]	-	375	375
Derivative financial instruments	98 [(6)]	-	-	-	384	482	482
Other assets	-	228 [(7)]	328 [(8)]	115 [(9)]	-	671	671
	$ 3,470	$ 1,190	$ 328	$ 1,976	$ 384	$ 7,348	$ 7,348
Financial liabilities							
Accounts payable and accrued liabilities	$ -	$ 196 [(10)]	n/a	$ 3,726 [(11)]	$ -	$ 3,922	$ 3,922
Long-term debt	-	-	n/a	4,162	-	4,162	4,035
Derivative financial instruments	77 [(6)]	-	n/a	-	352	429	429
	$ 77	$ 196	n/a	$ 7,888	$ 352	$ 8,513	$ 8,386

(1) Financial assets classified as L&R and financial liabilities as other than HFT.
(2) DDHR: Derivatives designated in a hedge relationship.
(3) Represents trade receivables and certain other receivables.
(4) Represents certain commercial aircraft loans and lease receivables.
(5) Represents certain commercial aircraft loans and lease receivables, investment in financing structures and business aircraft loans.
(6) Represents derivative financial instruments not designated in a hedging relationship but that are economic hedges, and embedded derivatives accounted for separately.
(7) Represents investment in VIEs and servicing fees.
(8) Represents investment in securities.
(9) Includes restricted cash.
(10) Represents related liabilities in connection with the sale of commercial aircraft.
(11) Includes trade accounts payable, accrued interest, as well as certain accrued liabilities and payroll-related liabilities.
n/a: Not applicable

The net gain on HFT financial instruments recognized in income was as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Financial instruments measured at fair value				
Designated as HFT[1]	**$ 25**	$ 2	**$ 22**	$ 23
Required to be classified as HFT[2][3]	**$ 6**	$ 21	**$ 18**	$ 34

[1] Excludes the interest income portion related to the invested collateral of $2 million and $5 million for the three- and six-month periods ended July 31, 2010 ($4 million and $7 million for the three- and six-month periods ended July 31, 2009).
[2] Excludes the interest income portion related to cash and cash equivalents of $6 million and $9 million for the three- and six-month periods ended July 31, 2010 ($7 million and $18 million for the three- and six-month periods ended July 31, 2009).
[3] Includes net gains of $1 million and $8 million incurred in connection with economic hedges not designated in hedging relationships for the three- and six-month periods ended July 31, 2010 (net gains of $36 million and $56 million for the three- and six-month periods ended July 31, 2009).

For the amounts of unrealized gains or losses on AFS financial assets recognized directly in OCI and the amounts removed from OCI and recognized in net income during the three- and six-month periods ended July 31, 2010 and 2009, if any, see the consolidated statements of comprehensive income.

Derivative and hedging activities

The carrying amounts of all derivative financial instruments and certain non-derivative financial instruments in a hedge relationship were as follows as at:

	July 31, 2010		January 31, 2010	
	Assets	**Liabilities**	Assets	Liabilities
Derivative financial instruments designated as fair value hedges				
Cross-currency interest-rate swap	**$ -**	**$ 63**	$ -	$ 35
Interest-rate swaps	**195**	**-**	140	-
	195	**63**	140	35
Derivative financial instruments designated as cash flow hedges				
Forward foreign exchange contracts[1] [2]	**361**	**440**	244	279
Derivative financial instruments designated as hedges of net investment				
Cross-currency interest-rate swap	**-**	**17**	-	38
Derivative financial instruments classified as HFT [3]				
Forward foreign exchange contracts	**26**	**51**	31	53
Cross-currency interest-rate swap	**24**	**-**	21	-
Interest-rate swaps	**-**	**9**	-	7
Embedded derivative financial instruments:				
Foreign exchange	**16**	**8**	26	8
Call options on long-term debt	**37**	**-**	20	-
Financing rate commitments	**-**	**8**	-	9
	103	**76**	98	77
Total derivative financial instruments	**$ 659**	**$ 596**	$ 482	$ 429
Non-derivative financial instruments designated as hedges of net investment				
Long-term debt	**$ -**	**$ 187**	$ -	$ 399

[1] For the three- and six-month periods ended July 31, 2010, the component of the hedging item's gain or loss excluded from the assessment of effectiveness amounted to net losses of $10 million and $13 million (a net loss of $2 million and a net gain of $10 million for the three- and six-month periods ended July 31, 2009).
[2] The maximum length of time of the derivative financial instruments hedging the Corporation's exposure to the variability in future cash flows for anticipated transactions is 34 months as at July 31, 2010.
[3] Held as economic hedges, except for certain embedded derivative financial instruments.

4. INVENTORIES

Inventories were as follows as at:

	July 31, 2010	January 31, 2010
Long-term contracts		
Costs incurred and recorded margins	**$ 5,399**	$ 5,793
Less: advances and progress billings	**(3,607)**	(4,155)
	1,792	1,638
Aerospace programs	**2,679**	2,576
Finished products [1]	**1,073**	1,054
	$ 5,544	$ 5,268

[1] Finished products include 11 new aircraft not associated with a firm order and 15 pre-owned aircraft, totalling $271 million as at July 31, 2010 (7 new aircraft and 19 pre-owned aircraft, totalling $274 million as at January 31, 2010).

The amount of inventories recognized as cost of sales totalled $3,145 million and $6,432 million for the three- and six-month periods ended July 31, 2010 ($3,900 million and $7,363 million for the three- and six-month periods ended July 31, 2009). These amounts include $14 million and $23 million of write-down for the three- and six-month periods ended July 31, 2010 ($20 million and $53 million for the three- and six-month periods ended July 31, 2009).

5. OTHER ASSETS

Other assets were as follows as at:

	July 31, 2010	January 31, 2010
Investment in securities[1]	**$ 393**	$ 328
Prepaid expenses	**229**	179
Investment in VIEs	**185**	180
Deferred financing charges	**86**	99
Restricted cash	**54**	40
Servicing fees	**50**	48
Investment in companies subject to significant influence[2]	**46**	33
Other	**85**	99
	$ 1,128	$ 1,006

[1] Includes an amount of $153 million held in an aircraft financing structure to support certain of the Corporation's financial obligations as at July 31, 2010 ($148 million as at January 31, 2010).
[2] The Corporation has pledged shares in investees subject to significant influence, with a carrying value of $33 million as at July 31, 2010 ($26 million as at January 31, 2010). Investment in companies subject to significant influence includes $10 million of loans as at July 31, 2010 ($9 million as at January 31, 2010), mostly related to BT.

6. CREDIT FACILITIES

Letter of credit facilities
The letter of credit facilities and their maturities were as follows as at:

		Amount committed		Letters of credit issued		Amount available	Maturity (fiscal year)
July 31, 2010							
BT facility	**$**	**4,966** [(1)]	**$**	**3,865**	**$**	**1,101**	**2014** [(2)]
BA facility		**600**		**321**		**279**	**2012**
PSG facility		**900**		**234**		**666**	**2012** [(3)]
	$	**6,466**	**$**	**4,420**	**$**	**2,046**	
January 31, 2010							
BT facility	$	5,201 [(1)]	$	3,921	$	1,280	2014 [(2)]
BA facility		600		484		116	2012
PSG facility		900		377		523	2011 [(3)]
	$	6,701	$	4,782	$	1,919	

(1) €3,800 million as at July 31, 2010 (€3,750 million as at January 31, 2010).
(2) In December 2011, if the facility is not extended, the committed amount will be reduced to the notional amount of letters of credit outstanding at that time and will amortize thereafter as the outstanding letters of credit mature up to December 2013.
(3) The performance security guarantee facility ("PSG facilities") is renewed and extended annually if mutually agreed. In June 2010, the facility was extended until June 2011, and is intended to be renewed in annual increments thereafter. If the facility is not extended, the letters of credit issued under this facility will amortize over their maturity.

In addition to the outstanding letters of credit shown in the above table, letters of credit of $669 million were outstanding under various bilateral agreements as at July 31, 2010 ($453 million as at January 31, 2010).

The Corporation also uses numerous bilateral bonding facilities with insurance companies to support BT's operations. An insured amount of $1.7 billion was outstanding under such unfunded facilities as at July 31, 2010 ($1.5 billion as at January 31, 2010).

Revolving credit facility
The $500 million revolving credit facility was unused as at July 31, 2010 and January 31, 2010.

Financial covenants
Under the BA and BT letter of credit facilities and its revolving credit facility, the Corporation must maintain various financial covenants, including a requirement to maintain a minimum BT liquidity of €600 million ($784 million) at the end of each calendar quarter and a requirement to maintain a minimum BA liquidity of $500 million at the end of each fiscal quarter. The Corporation must also maintain €404 million ($528 million) of invested collateral under the BT facility and $121 million under the BA facility. These conditions were all met as at July 31, 2010 and January 31, 2010.

Other facilities
In the normal course of its business, BT has set up factoring facilities in Europe under which it can sell, without credit recourse, qualifying trade receivables. Trade receivables of €186 million ($243 million) were outstanding under such facilities as at July 31, 2010 (€140 million ($194 million) as at January 31, 2010). Trade receivables of €132 million ($166 million) and €252 million ($329 million), respectively, were sold to these facilities during the three- and six-month periods ended July 31, 2010 (€136 million ($195 million) and €148 million ($210 million) for the three- and six-month period ended July 31, 2009).

In addition, BA has set up off-balance sheet sale and leaseback facilities under which it can sell pre-owned business aircraft. An amount of $234 million was outstanding under such facilities as at July 31, 2010 ($180 million as at January 31, 2010). Aircraft worth $115 million and $166 million were sold and leased-back to these facilities during the three- and six-month periods ended July 31, 2010 ($53 million for the three- and six-month periods ended July 31, 2009).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were as follows as at:

	July 31, 2010	January 31, 2010
Trade accounts payable	**$ 2,128**	$ 2,311
Accrued liabilities	**1,185**	1,239
Product warranties	**1,044**	1,040
Sales incentives(1)	**936**	968
Payroll-related liabilities	**522**	486
Income and other taxes	**160**	206
Interest payable	**79**	56
Severance and other involuntary termination costs	**53**	82
Other	**1,183**	1,039
	$ 7,290	$ 7,427

(1) Comprised of provision for credit and residual value guarantees and trade-in commitments, as well as other related provisions and liabilities in connection with the sale of aircraft (see Note 16 – Commitments and contingencies).

8. LONG-TERM DEBT

On March 29, 2010, the Corporation issued the following unsecured Senior Notes:

- $650 million, bearing interest at 7.5%, payable semi-annually, due in March 2018; and
- $850 million, bearing interest at 7.75%, payable semi-annually, due in March 2020.

On March 30 and April 13, 2010, the Corporation repurchased, for an aggregate cash consideration of $1,050 million, a portion of the following Notes:

- $399 million of the $550 million Notes, bearing interest at 6.75%, due in May 2012;
- $338 million of the $500 million Notes, bearing interest at 6.30%, due in May 2014; and
- €197 million ($263 million) of the €679 million ($903 million) Notes, bearing floating interest rate, due in November 2013.

Concurrently, the Corporation entered into interest-rate swap agreements to convert the effective interest rate on the newly issued unsecured Senior Notes from fixed to variable. The interest rate after the effect of these fair value hedges is 3-month Libor + 4.185 for the $650 million unsecured Senior Notes and 3-month Libor + 4.142 for the $850 million unsecured Senior Notes.

9. SHARE-BASED PLANS

Share option plans

The number of options issued and outstanding to purchase Class B Shares (Subordinate Voting) has varied as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Balance at beginning of period	**37,131,000**	39,679,321	**39,001,075**	44,305,821
Granted	**3,775,000**	2,614,000	**3,820,000**	2,624,000
Exercised	**(482,463)**	-	**(864,038)**	-
Cancelled	**(743,086)**	(587,500)	**(785,586)**	(1,087,750)
Expired	**(2,549,512)**	(10,000)	**(4,040,512)**	(4,146,250)
Balance at end of period	**37,130,939**	41,695,821	**37,130,939**	41,695,821

The weighted-average grant date fair value was $1.62 for the three- and six-month periods ended July 31, 2010 ($1.15 for the three- and six-month periods ended July 31, 2009). The fair value of each option granted was determined using an option pricing model and the following weighted-average assumptions:

	Three-month periods ended July 31		**Six-month periods ended July 31**	
	2010	2009	**2010**	2009
Risk-free interest rate	**2.65%**	2.82%	**2.65%**	2.82%
Expected life	**5 years**	5 years	**5 years**	5 years
Expected volatility in market price of shares	**48.06%**	50.79%	**48.06%**	50.79%
Expected dividend yield	**2.09%**	2.10%	**2.09%**	2.10%

Compensation expense of $2 million and $4 million were recorded in the three- and six-month periods ended July 31, 2010 with respect to share option plans ($2 million and $5 million in the three- and six-month periods ended July 31, 2009).

PSU and DSU plans
The number of PSUs and DSUs issued and outstanding has varied as follows:

	Three-month period ended July 31, 2010		Three-month period ended July 31, 2009	
	PSU	**DSU**	PSU	DSU
Balance at beginning of period	**15,920,905**	**1,156,000**	14,918,149	-
Granted	**8,003,500**	**1,810,000**	5,039,700	-
Performance adjustment	**2,725,988**	**-**	1,874,374	-
Exercised	**(8,177,963)**	**-**	(5,623,122)	-
Cancelled	**(202,044)**	**-**	(108,606)	-
Balance at end of period	**18,270,386**	**2,966,000**	16,100,495	-

	Six-month period ended July 31, 2010		Six-month period ended July 31, 2009	
	PSU	**DSU**	PSU	DSU
Balance at beginning of period	**15,888,267**	**1,156,000**	15,006,293	-
Granted	**8,100,500**	**1,810,000**	5,049,700	-
Performance adjustment	**2,725,988**	**-**	1,874,374	-
Exercised	**(8,177,963)**	**-**	(5,623,122)	-
Cancelled	**(266,406)**	**-**	(206,750)	-
Balance at end of period	**18,270,386**	**2,966,000**	16,100,495	**-**

DSUs and PSUs granted in the three- and six-month periods ended July 31, 2010 vest essentially on June 8, 2013, if a financial performance threshold is met.

A new DSU plan was approved by the Board of Directors on March 31, 2010, and by shareholders on June 2, 2010. This plan is substantially identical to the current DSU plan except that the new plan allows for settlement of awards in Class B Shares (Subordinate Voting) issued from treasury.

In connection with this new plan, the Board of Directors of the Corporation authorized the repurchase for cancellation, in the normal course of the Corporation's activities from April 9, 2010 to April 8, 2011, of up to 3,000,000 Class B Shares (Subordinate Voting) and up to 660,000 Class A Shares (Multiple Voting). During the first quarter of fiscal year 2011, 3,000,000 Class B Shares (Subordinate Voting) were repurchased and cancelled, for a total amount of $16 million.

Compensation expense of $7 million and $17 million were recorded in the three- and six-month periods ended July 31, 2010 with respect to the PSU and DSU plans ($9 million and $17 million in the three- and six-month periods ended July 31, 2009).

10. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in AOCI were as follows for the three- and six-month periods ended July 31, 2010:

	AFS financial assets	Cash flow hedges	CTA	Total
Balance as at January 31, 2010	**$ 3**	**$ (75)**	**$ (117)**	**$ (189)**
Change during the period	**2**	**42**	**(47)** [1]	**(3)**
Balance as at April 30, 2010	**5**	**(33)**	**(164)**	**(192)**
Change during the period	**4**	**(98)**	**55** [1]	**(39)**
Balance as at July 31, 2010	**$ 9**	**$ (131)**	**$ (109)**	**$ (231)**

[1] Excludes a loss of $4 million and nil attributable to non-controlling interest for the three- and six-month periods ended July 31, 2010.

Changes in AOCI were as follows for the three- and six-month periods ended July 31, 2009:

	AFS financial assets	Cash flow hedges	CTA	Total
Balance as at January 31, 2009	$ (17)	$ (455)	$ (329)	$ (801)
Change during the period	5	150 [1]	(6) [2]	149
Balance as at April 30, 2009	(12)	(305)	(335)	(652)
Change during the period	3	271 [1]	180 [2]	454
Balance as at July 31, 2009	$ (9)	$ (34)	$ (155)	$ (198)

[1] Excludes a loss of $1 million attributable to non-controlling interest for the three- and six-month periods ended July 31, 2009.
[2] Excludes nil and a loss of $3 million attributable to non-controlling interest for the three- and six-month periods ended July 31, 2009.

11. OTHER INCOME

Other income was as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Net gain on financial instruments[1]	**$ (29)**	$ (35)	**$ (21)**	$ (54)
Foreign exchange losses (gains)	**(4)**	(1)	**(16)**	11
Gain on disposal of PP&E	**(1)**	(1)	**(10)**	(11)
Severance and other involuntary termination costs (including changes in estimates and capacity adjustments)	**(7)**	1	**(10)**	35
Other	**7**	-	**17**	-
	$ (34)	$ (36)	**$ (40)**	$ (19)

[1] Certain financial instruments classified as HFT, including foreign exchange embedded derivatives and financing rate commitments.

12. FINANCING INCOME AND FINANCING EXPENSE

Financing income and financing expense were as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Financing income				
Gains on long-term debt repayments	**$ -**	$ -	**$ (15)**	$ -
Loans and lease receivables – after effect of hedges	**(7)**	(8)	**(15)**	(16)
Cash and cash equivalents	**(6)**	(7)	**(9)**	(18)
Net gain on financial instruments[(1)]	**-**	-	**(7)**	(11)
Invested collateral	**(2)**	(4)	**(5)**	(7)
Other	**(1)**	(4)	**(2)**	(6)
	$ (16) [(2)]	$ (23) [(2)]	**$ (53)** [(2)]	$ (58) [(2)]
Financing expense				
Interest on long-term debt – after effect of hedges	**$ 51**	$ 58	**$ 110**	$ 113
Accretion expense on certain sales incentives	**7**	9	**15**	19
Net loss on financial instruments[(1)]	**2**	-	**-**	-
Other	**-**	5	**-**	8
	$ 60 [(3)]	$ 72 [(3)]	**$ 125** [(3)]	$ 140 [(3)]

(1) Certain financial instruments required to be classified as HFT, including certain call options on long-term debt.
(2) Of which $2 million and $7 million represent the interest income calculated using the effective interest method for financial assets classified as L&R for the three- and six-month periods ended July 31, 2010 ($7 million and $10 million for the three- and six-month periods ended July 31, 2009).
(3) Of which $51 million and $110 million represent the interest expense calculated using the effective interest method for financial liabilities classified as other than HFT for the three- and six-month periods ended July 31, 2010 ($63 million and $121 million for the three- and six-month periods ended July 31, 2009).

13. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
(Number of shares, stock options, PSUs and DSUs, in thousands)	**2010**	2009	**2010**	2009
Net income attributable to shareholders of Bombardier Inc.	**$ 144**	$ 198	**$ 296**	$ 354
Preferred share dividends, net of tax	**(6)**	(5)	**(11)**	(10)
Net income attributable to common shareholders of Bombardier Inc.	**$ 138**	$ 193	**$ 285**	$ 344
Weighted-average basic number of common shares outstanding	**1,727,975**	1,730,069	**1,728,700**	1,730,196
Net effect of stock options, PSUs and DSUs	**15,253**	23,833	**16,533**	22,311
Weighted-average diluted number of common shares outstanding	**1,743,228**	1,753,902	**1,745,233**	1,752,507
EPS (in dollars):				
Basic and diluted	**$ 0.08**	$ 0.11	**$ 0.16**	$ 0.20

The effect of the exercise of stock options was included in the calculation of diluted EPS in the above table, except for 21,713,425 and 22,303,107 stock options for the three- and six-month periods ended July 31, 2010 (31,888,650 and 34,289,325 for the three- and six-month periods ended July 31, 2009), since the average market value of the underlying shares was lower than the exercise price, or because the predetermined target market price thresholds for the Corporation’s Class B Shares (Subordinate Voting) had not been met.

14. NET CHANGE IN NON-CASH BALANCES RELATED TO OPERATIONS

Net change in non-cash balances related to operations was as follows:

	Three-month periods ended July 31		Six-month periods ended July 31	
	2010	2009	**2010**	2009
Receivables	**$ 205**	$ 335	**$ 53**	$ 206
Aircraft financing	**(77)**	(5)	**(102)**	(16)
Inventories	**(73)**	(1)	**(258)**	(368)
Fractional ownership deferred costs and revenues, net	**(15)**	(18)	**(20)**	(25)
Derivative financial instruments, net	**(24)**	(9)	**32**	(70)
Accounts payable and accrued liabilities	**(400)**	(71)	**(97)**	(10)
Advances and progress billings in excess of related long-term contract costs	**(48)**	(222)	**(67)**	(418)
Advances on aerospace programs	**(21)**	(159)	**(236)**	(403)
Accrued benefit liabilities, net	**(2)**	(5)	**13**	(1)
Other	**(16)**	(42)	**(34)**	(57)
	$ (471)	$ (197)	**$ (716)**	$ (1,162)

15. EMPLOYEE FUTURE BENEFITS

The components of the benefit cost were as follows:

	Three-month period ended July 31, 2010		Three-month period ended July 31, 2009	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits
Current service cost	**$ 47**	**$ 5**	$ 43	$ 4
Interest cost	**98**	**6**	91	4
Expected return on plan assets	**(94)**	**-**	(91)	-
Amortization of actuarial losses	**20**	**1**	15	-
Amortization of past service costs (credits)	**3**	**(1)**	1	(1)
Other	**(1)**	**-**	2	(3)
	$ 73	**$ 11**	$ 61	$ 4

	Six-month period ended July 31, 2010		Six-month period ended July 31, 2009	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits
Current service cost	**$ 95**	**$ 11**	$ 83	$ 9
Interest cost	**198**	**11**	174	9
Expected return on plan assets	**(190)**	**-**	(174)	-
Amortization of actuarial losses	**41**	**1**	26	-
Amortization of past service costs (credits)	**5**	**(2)**	3	(2)
Other	**-**	**-**	2	(3)
	$ 149	**$ 21**	$ 114	$ 13

16. COMMITMENTS AND CONTINGENCIES

The table below presents the maximum potential exposure for each major group of exposure, as at:

	July 31, 2010	January 31, 2010
Aircraft sales		
Credit	**$ 1,488**	$ 1,524
Residual value	**2,353**	2,425
Mutually exclusive exposure[1]	**(867)**	(894)
Total credit and residual value exposure	**$ 2,974**	$ 3,055
Trade-in commitments	**$ 641**	$ 761
Conditional repurchase obligations	**$ 571**	$ 599
Other		
Credit and residual value	**$ 159**	$ 157
Performance guarantees	**$ 40**	$ 44

(1) Some of the RVGs can only be exercised once the credit guarantees have expired without exercise and, therefore, the guarantees must not be added together to calculate the combined maximum exposure for the Corporation.

Provisions for anticipated losses on credit guarantees and RVGs related to the sale of aircraft amounted to $546 million as at July 31, 2010 ($536 million as at January 31, 2010). In addition, related liabilities, which would be extinguished in the event of credit default by certain customers, amounted to $172 million as at July 31, 2010 ($196 million as at January 31, 2010).

Litigations
In the normal course of operations, the Corporation is a defendant in certain legal proceedings currently pending before various courts in relation to product liability and contract disputes with customers and other third parties. The Corporation intends to vigorously defend its position in these matters.

While the Corporation cannot predict the final outcome of legal proceedings pending as at July 31, 2010, based on information currently available, management believes that the resolution of these legal proceedings will not have a material adverse effect on its financial position.

Other
The Corporation receives government financial support from various levels of government related to the development of aircraft. Certain of these financial support programs require the Corporation to pay amounts to governments at the time of the delivery of products, contingent on a minimum agreed-upon level of related product sales being achieved. If the minimum agreed-upon level is not reached, no amount is payable to governments. The Corporation records the amount payable to governments at the time the product giving rise to such payment is delivered.

In connection with the *CSeries* family of aircraft program, $29 million and $53 million of contingently repayable investments were received for the three- and six-month periods ended July 31, 2010 ($52 million and $84 million for the three- and six-month periods ended July 31, 2009). Of these amounts, $24 million and $45 million were recorded against intangible asset for the three- and six-month periods ended July 31, 2010 ($40 million and $47 million for the three- and six-month periods ended July 31, 2009), with the remaining $5 million and $8 million recorded against PP&E for the three- and six-month periods ended July 31, 2010 ($12 million and $37 million were recorded as a reduction of R&D expense for the three- and six-month periods ended July 31, 2009).

The total estimated remaining undiscounted maximum amount repayable under these support programs, mostly based on future deliveries of aircraft, amounted to $410 million as at July 31, 2010 ($404 million as at January 31, 2010).

17. SEGMENT DISCLOSURE

The Corporation has two reportable segments: BA and BT. Each reportable segment offers different products and services and requires different technology and marketing strategies.

BA	BT
BA is a world leader in the design and manufacture of innovative aviation products and is a provider of related services. BA's aircraft portfolio includes a comprehensive line of business aircraft, commercial aircraft including regional jets, turboprops and single-aisle mainline jets and amphibious aircraft. BA also offers aftermarket services as well as fractional ownership and flight entitlement programs.	BT is a world leader in the design and manufacture of rail equipment and system manufacturing and a provider of related services, offering a full range of passenger railcars, locomotives, light rail vehicles and automated people movers. It also provides bogies, electric propulsion, control equipment and maintenance services, as well as complete rail transportation systems and rail control solutions.

The accounting policies of the segments are the same as those described in the Corporation’s Annual Report for the fiscal year ended January 31, 2010. Management assesses segment performance based on income before financing income, financing expense and income taxes. Corporate charges are allocated to segments mostly based on each segment’s revenues.

Net segmented assets exclude cash and cash equivalents, invested collateral and deferred income taxes, and are net of accounts payable and accrued liabilities (excluding interest and income taxes payable), advances and progress billings in excess of related long-term contract costs, advances on aerospace programs, fractional ownership deferred revenues, accrued benefit liabilities and derivative financial instruments.

The tables containing the detailed segmented data are shown hereafter.

18. RECLASSIFICATIONS

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

CSeries is a trademark of Bombardier Inc. or its subsidiaries.

SEGMENTED INFORMATION

INDUSTRY SEGMENTS		Bombardier Inc. consolidated		BA		BT
For the three-month periods ended July 31	**2010**	2009	**2010**	2009	**2010**	2009
Revenues						
Manufacturing	**$ 2,838**	$ 3,742	**$ 1,367**	$ 1,891	**$ 1,471**	$ 1,851
Services	**699**	708	**399**	344	**300**	364
Other	**542**	496	**196**	164	**346**	332
	4,079	4,946	**1,962**	2,399	**2,117**	2,547
Cost of sales	**3,410**	4,155	**1,679**	2,045	**1,731**	2,110
SG&A	**327**	362	**138**	147	**189**	215
R&D	**45**	29	**13**	(4)	**32**	33
Other income	**(34)**	(36)	**(29)**	(36)	**(5)**	-
Amortization	**100**	123	**70**	93	**30**	30
	3,848	4,633	**1,871**	2,245	**1,977**	2,388
EBIT	**$ 231**	$ 313	**$ 91**	$ 154	**$ 140**	$ 159
Additions to PP&E and intangible assets	**$ 284**	$ 162	**$ 264**	$ 118	**$ 20**	$ 44

SEGMENTED INFORMATION

INDUSTRY SEGMENTS	Bombardier Inc. consolidated		BA		BT	
For the six-month periods ended July 31	**2010**	2009	**2010**	2009	**2010**	2009
Revenues						
Manufacturing	**$ 5,957**	$ 7,252	**$ 2,815**	$ 3,754	**$ 3,142**	$ 3,498
Services	**1,395**	1,372	**767**	673	**628**	699
Other	**973**	793	**315**	191	**658**	602
	8,325	9,417	**3,897**	4,618	**4,428**	4,799
Cost of sales	**6,933**	7,888	**3,292**	3,908	**3,641**	3,980
SG&A	**680**	708	**293**	301	**387**	407
R&D	**90**	49	**25**	(14)	**65**	63
Other expense (income)	**(40)**	(19)	**(38)**	(28)	**(2)**	9
Amortization	**207**	243	**145**	187	**62**	56
	7,870	8,869	**3,717**	4,354	**4,153**	4,515
EBIT	**$ 455**	$ 548	**$ 180**	$ 264	**$ 275**	$ 284
Additions to PP&E and intangible assets	**$ 533**	$ 331	**$ 496**	$ 256	**$ 37**	$ 75

As at	**July 31 2010**	January 31 2010	**July 31 2010**	January 31 2010	**July 31 2010**	January 31 2010
Net segmented assets	**$ 4,177**	$ 2,929	**$ 3,648**	$ 2,758	**$ 529**	$ 171
Liabilities allocated to segments:						
Accounts payable and accrued liabilities [(1)]	**7,116**	7,274				
Advances and progress billings in excess of related long-term contract costs	**1,867**	1,899				
Advances on aerospace programs	**1,855**	2,092				
Fractional ownership deferred revenues	**257**	346				
Accrued benefit liabilities	**1,102**	1,084				
Derivative financial instruments	**596**	429				
Assets not allocated to segments:						
Cash and cash equivalents	**2,776**	3,372				
Invested collateral	**650**	682				
Deferred income taxes	**1,153**	1,166				
Total consolidated assets	**$ 21,549**	$ 21,273				

(1) Excluding interest and income taxes payable amounting to $79 million and $95 million respectively as at July 31, 2010 ($56 million and $97 million as at January 31, 2010), which were not allocated to segments.